

Budget Summary

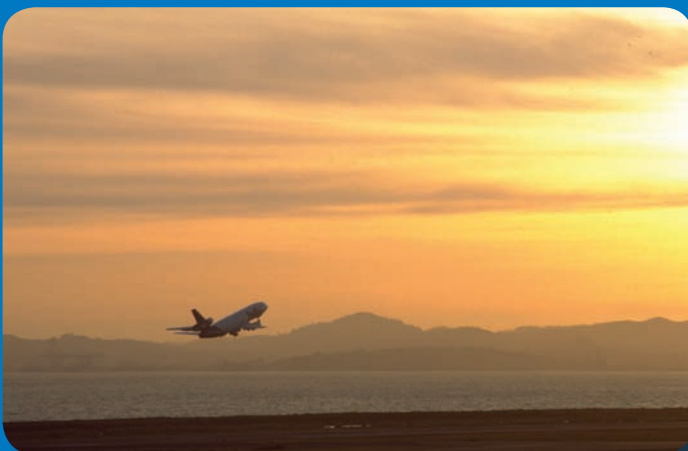
Three-Year
Operating Budget
Fiscal Years ending
June 30, 2012 through 2014

One-Year
Capital Budget
Fiscal Year ending
June 30, 2012

Five-Year
Capital Needs Assessment
Fiscal Years ending
June 30, 2012 through 2016



PORT OF OAKLAND





**THREE-YEAR OPERATING BUDGET
FISCAL YEARS 2011-12 THROUGH 2013-14**

**ONE-YEAR CAPITAL BUDGET
FISCAL YEAR 2011-12**

AND

**FIVE-YEAR CAPITAL NEEDS ASSESSMENT
FISCAL YEARS 2011-12 THROUGH 2015-16**

Board of Port Commissioners of the City of Oakland

James Head, President
Pamela Calloway, First Vice President
Gilda Gonzales, Second Vice President
Margaret Gordon, Commissioner
Michael Lighty, Commissioner
Victor Uno, Commissioner
Alan Yee, Commissioner

Senior Staff

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This Budget Summary Book is disclosed publicly for general information relating to the Port only and should not be construed as an offering document nor part of the Port's Annual Report pursuant to SEC Rule 15c2-12 for the Port's revenue bonds or commercial paper notes. The information and expressions of opinion in this Budget Summary Book are subject to change without notice after the date hereof, and future use of this Budget Summary Book shall not otherwise create any implication that there has been no change in the matters referred to in this Budget Summary Book since the date hereof. The Goals and Objectives of the Port set forth in this Budget Summary Book should not be construed as commitments by the Port that such Goals and Objectives will, in fact, be achieved or occur within such time frames. The Goals and Objectives are subject to change.

Certain statements included or incorporated by reference in this Budget Summary Book constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements are based upon certain assumptions and involve known and unknown risks, uncertainties and other factors, including business levels during the relevant periods, that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results will vary and may vary materially. The Port does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

The Port has not yet obtained funding for all the capital projects described in this Budget Summary Book, some of which may not ultimately be implemented by the Port. Furthermore, the overall cost of the Capital Needs Assessment is subject to change, and the variance from the cost estimates described in this Budget Summary Book could be material. Failure to complete the projects may adversely affect the Port's ability to generate the currently anticipated revenues.

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Go to <http://www.portofoakland.com/portnyou/public.asp> to see this book online.



Sara Lee
Chief Financial Officer

July 1, 2011

Board of Port Commissioners of the City of Oakland
Oakland, California

James Head, President
Pamela Calloway, First Vice President
Gilda Gonzales, Second Vice President
Margaret Gordon
Michael Lighty
Victor Uno
Alan Yee

Subject: Three-Year Operating Budget, Fiscal Years ending June 30, 2012 through 2014
One Year Capital Budget, Fiscal Year ending June 30, 2012
Five-Year Capital Needs Assessment, Fiscal Years ending June 30, 2012 through 2016

Dear Board of Port Commissioners:

On behalf of the Port staff, I am pleased to provide this Budget Summary, which contains the Port's:

- Three-Year Operating Budget for Fiscal Years ending June 30, 2012 through 2014,
- One-Year Capital Budget for Fiscal Year ending June 30, 2012, and
- Five-Year Capital Needs Assessment (CNA) for Fiscal Years ending June 30, 2012 through 2016.

The FY 2012 Operating and Capital Budgets were adopted by the Board on June 30, 2011. Operating budgets for subsequent years and the Five-Year CNA were presented as informational and conceptual only.

The development of the FY 2012 Budget presented challenges similar to those faced previously for the FY 2011 Budget. While modest economic recovery has begun, the Port's major lines of business continue to face pressure from tenants and customers who remain concerned about decreased consumer demand, oil price increases, European debt concerns, and Middle East turmoil. Modest increases in Port revenues are projected for FY 2012 through 2014, coupled with rising debt service payments and rising personnel and regulatory costs.

The FY 2012 Operating and Capital Budgets were developed taking into account the following objectives:

- Develop a balanced budget in which total revenues exceed total expenditures.
- Develop an operating budget that strives to achieve an Intermediate Lien Debt Service Coverage Ratio (DSCR) of at least 1.32x.
- Fund 474 Full-Time Equivalent employees.
- No layoffs and no furloughs.
- Maintain a minimum General Fund cash balance at the end of the fiscal year of \$85 million.

Operating Budget

In developing the operating budgets presented herein, Port staff continued to focus on reducing operating expenses, while ensuring adequate funding for key activities necessary to the maintenance and enhancement of the Port's competitiveness, implementation of the 5-year Strategic Plan, and delivery of other obligations. Operating revenues were developed based on division input incorporating known market and competitive factors for the Aviation, Maritime, Commercial Real Estate and Utilities businesses. Operating revenues also reflect an analysis of existing contracts, the viability of outstanding agreements, and the execution of anticipated future contracts. Budgeted operating expenses for FY 2012 are flat compared to FY 2011 Budget, before Depreciation & Amortization and Absorption of Labor & Overhead to Capital Assets.

Capital Budget

Following new methods established starting in FY 2011, FY 2012 budget authorization was requested from the Board for (a) projects for which the Board already has a contractual obligation, (b) certain pre-development work, and (c) miscellaneous facilities replacement projects. Authorization to proceed with other capital projects included in the 5-Year CNA must be obtained from the Board during the course of the fiscal year on a project-by-project basis, based on need, financial analysis, and alignment with Port's 5-year Strategic Plan. FY 2012 contractual obligations are budgeted at \$84.1 million. Pre-development and miscellaneous facilities projects are an additional \$1.5 million, for a total of approximately \$85.6 million.

Debt Service

The Port's Intermediate Lien DSCR, Combined DSCR, and total debt service payments over the next three years are projected as follows:

	Budget FY 2011-12	Projected FY 2012-13	Projected FY 2013-14
Intermediate Lien DSCR	1.32	1.40	1.35
Combined DSCR	1.31	1.39	1.33
Total Debt Service (\$ thousands)	113,842	118,176	123,736

Change in Net Assets

The projected Change in Net Assets for FY 2012 is a positive \$33.5 million, an increase of \$16.8 million compared to FY 2011 Budget.

More details on the operating and capital budgets are provided in the Budget Summary. The Port's senior management and staff will continue to assess projected business activity levels and financial and operational measures, and continue to pursue additional revenue enhancement and cost-savings initiatives that may be available going forward.

Sincerely,



Sara Lee
Chief Financial Officer

Board of Port Commissioners



James Head
President



Pamela Calloway
1st Vice President



Gilda Gonzales
2nd Vice President



Margaret Gordon
Commissioner



Michael Lighty
Commissioner



Victor Uno
Commissioner



Alan Yee
Commissioner

The Port of Oakland delivers the highest value to our customers and community through sustainable stewardship and growth of our assets, optimal performance of our people, and focus on our aviation, maritime, and real estate businesses.

Mission Statement



PORT OF OAKLAND

Executive Management



Omar Benjamin
Executive Director



Joyce Washington
Acting Deputy Executive Director



David Alexander
Port Attorney



Arnel Atienza
Chief Audit Officer



John Betterton
Secretary, Board of
Port Commissioners

We are an innovative and sustainable Port through an aggressive focus on business and optimal performance.

Vision Statement



PORT OF OAKLAND

STRATEGIC PLAN FISCAL YEARS 2011-2015

STRATEGIC PLAN

The Port of Oakland (Port) Strategic Plan FY 2011-2015 identifies the major challenges and opportunities facing the Port and provides a stable and adaptable policy framework to guide the Port during the next five years.

The Strategic Plan allows the Port to focus on growing and expanding its core businesses and enhancing its stewardship by aligning and strengthening finances, people, systems, policies, processes and governance. The Strategic Plan aspires to create an organizational culture based upon the values of collaboration, accountability and innovation. Through commitment to the Strategic Plan, the Port will realize its highest potential for the City of Oakland, the region, and the State of California and our global partners.

Guiding Principles

1. Economic development is the center of the Port's work.
2. Environmental stewardship is a lens for all Port activities.
3. The Port is a public enterprise that uses all appropriate public and private business development models to pursue and ensure its business and strategic goals.
4. The Port seeks opportunities to leverage cross-business line benefits.
5. The Port proactively communicates with its multiple stakeholders.
6. The Port maximizes its assets, investments and resources.
7. Relevant and timely information is fundamental to effective Board stewardship and decision-making.
8. The Port staff is appropriately aligned with the Port's strategic goals.
9. All Port activities must incorporate a full financial assessment.
10. The Port is a high performing workplace with partnership, accountability and teamwork among staff.
11. The Port delivers the highest value in its services and facilities at the most competitive price.

Strategic Priority Areas

- Sustainable Economic and Business Development
- Stewardship and Accountability
- Port Workforce and Operations
- Communications and Information

Goals and Objectives

Goal A: Create sustainable growth for the Port and beyond.

1. Maximize the use of existing assets.
2. Affirm Port identity as a public enterprise.
3. Increase revenue, job creation and small business growth.
4. Pursue strategic partnerships at all levels: local, regional, national and international.

Goal B: Maintain and aggressively grow core businesses.

1. Retain existing customers and tenants.
2. Market strategically and aggressively to attract new customers and tenants.
3. Price Port services to provide a highly competitive value.
4. Promote effective strategic communication with Port customers.
5. Enhance customer services (i.e., market intelligence, technical knowledge, strategic advice and problem solving).

Goal C: Promote equitable community access to employment and business opportunities.

1. Comply with all federal, state, local and Port workforce mandates.
2. Conduct comprehensive communication and outreach to stakeholders and strategic partners to improve workforce and small business opportunities.
3. Integrate workforce mandates into all Port agreements, policies and processes at inception.

Goal D: Improve the Port's financial position.

1. Improve cash position and debt service coverage ratio (DSCR).
2. Minimize expenditures and focus on core services.
3. Maximize return on investments (ROI).
4. Pursue refunding of Port debt for interest rate savings.
5. Explore debt restructuring options.

Goal E: Improve the processes for evaluating and managing capital expenditures for long-term management of Port property and infrastructure.

1. Implement a new planning and funding model for capital improvements.
2. Improve analytical tools to evaluate return on investment and other financial indicators.
3. Manage cash flow and capital planning as distinct, but related, items.
4. Strengthen contract expenditure controls.
5. Prepare plans for long-term use, development and management of Port property and infrastructure.

Goal F: Aggressively obtain maximum amount of external grant and government funding and regulatory relief.

1. Seek out and pursue all promising and prospective grants and external funding resources.
2. Partner with other agencies to create joint grant strategies.
3. Enhance governmental affairs outreach efforts and capacity.

Goal G: Sustain healthy communities through leading edge environmental stewardship.

1. Ensure effective communication and education regarding environmental and safety standards with business partners and the community.
2. Partner to share risk, accountability, benefits and improve environmental and safety compliance.
3. Increase cost recovery for environmental and safety compliance activities.
4. Continue to provide quality public access and open space at a financially-sustainable level.
5. Develop effective relationships with regulatory and resource agencies.

Goal H: Develop and maintain a high performing workforce.

1. Identify, assess and implement key skills and knowledge required for an employee within a public enterprise.
2. Conduct targeted training.
3. Continue to elevate health and safety of the Port workforce.
4. Strengthen the performance management system.
5. Create an organizational culture in which employees and the Board acknowledge and hold themselves and each other accountable for the consistent execution of strategic goals and effective operations.

Goal I: Align the Port's workforce, organizational structure and personnel management practices for optimal performance of the Port.

1. Identify requirements for organizational change.
2. Build and strengthen an effective partnership with labor unions.
3. Align responsibilities, authorities and incentives to ensure accountability and transparency in achieving the Port's strategic goals.

Goal J: Improve internal governance practices.

1. Develop a new Board meeting schedule, order of business, and agenda report format to focus on strategic and policy issues.
2. Strengthen leadership by designing and implementing a governance and business curriculum for Board and staff.

Goal K: Promote a proactive and responsive communications model.

1. Develop a strategic and comprehensive communications plan which reaches out to a wide range of internal and external stakeholders and incorporates state-of-the-art practices and technology.

Goal L: Provide timely and relevant information to support critical analysis and decision-making.

1. Strengthen long range planning.
2. Develop performance measures to monitor and improve achievement of objectives and for earliest notification of areas of concern.
3. Modernize and update Port technology systems and tools to enhance organizational productivity, efficiency and data analysis capabilities.

The goals set forth above are subject to change at any time by the Port and may not be achieved depending on the Port's available financial resources and personnel.

San Francisco Bay Area Region Map



Port of Oakland Area Map



PORT OF OAKLAND OVERVIEW

Oakland, California

Founded in 1852, the City of Oakland (City) is located on the eastern shore of the San Francisco Bay and is one of three major cities that make up the San Francisco Bay Area (Bay Area). In early 2010, the City's population was 430,666. It is the third-largest city in the Bay Area, after San Jose and San Francisco, and the eighth-largest city in California.¹ The City is one of the 14 cities in Alameda County, California.

Climate

The mild climate of the City facilitates year-round business activities. It is generally warmer than San Francisco and cooler than San Jose in the South Bay. While it does not abut the Pacific Ocean, its position on the San Francisco Bay directly across from the Golden Gate bridge means that the City gets cooling marine fog during the summer. It is far enough inland, however, that the fog often burns off by midday, providing sunny California days.

Geography

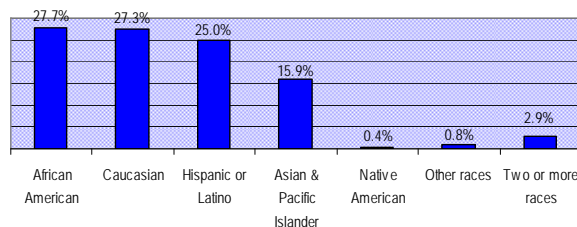
The City lies at the center of the Pacific Coast between Canada and Mexico. The City has a total area of 78.2 mi²; 71.7% of the area is land and 28.3% is water. Elevation is 42 feet above sea level.² The City is bordered on the north by the cities of Berkeley and Emeryville and to the south by the city of San Leandro. To the west and across the estuary channel is the City of Alameda and to the east, various cities in Contra

Costa County. The City of Oakland may be the only city in the United States with a natural saltwater lake wholly contained within its border (115-acre Lake Merritt). By vote of the state legislature in 1870, the Lake Merritt Wildlife Refuge became the first legally established public wildlife sanctuary in North America.³

Demographics

According to the U.S. Census Bureau's 2007-2009 American Community Study (ACS), the City's population consisted of approximately 27.7% African American, 27.3% Caucasian American, 25.0% Latino American, 15.9% Asian American and Pacific Islander, 0.4% Native American, 0.8% from other races, and 2.9% from two or more races. The average household size was 2.51 and the average family size was 3.47.

Demographics - City of Oakland



¹ California Department of Finance, <http://www.dof.ca.gov/> under Demographic Reports

² <http://www.city-data.com/us-cities/The-West/Oakland-Geography-and-Climate.html>

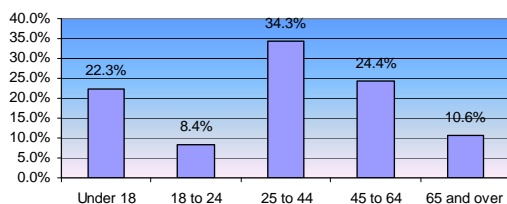
³ <http://www.baynature.org/places/lake-merritt-water>

Population and Income

According to the ACS, the City's population by age is apportioned as follows: 22.3% under the age of 18 years, 8.4% from 18 to 24 years, 34.3% from 25 to 44 years, 24.4% from 45 to 64 years, and 10.6% who were 65 years of age or older. The median age was 35.8 years.

According to the ACS, the median income for a household in the City was \$49,785, and the median income for a family was \$57,250. The per capita income for the City was \$30,833.

Age Distribution - City of Oakland

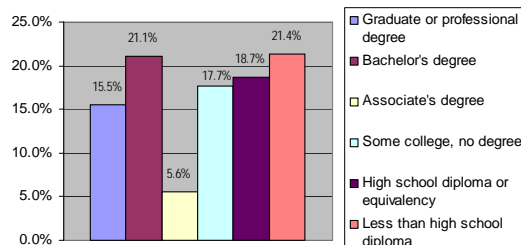


About 14.8% of families and 17.3% of the population were below the poverty line, including 25.5% of those under age 18 and 12.4% of those over the age of 65. Approximately 66.5% of those over 16 years of age were in the labor force. 16.3% of the population was unemployed as of December 2010.¹

Education

The ACS reports that 78.6% of people in the City 25 years and older had graduated from at least high school and 36.6% had a bachelor's degree or higher. 21.4% were dropouts; they were not enrolled in school and had not graduated from high school. The total school enrollment for the City was 100,769. Nursery school and kindergarten enrollment was 13,606 and elementary and high school enrollment was 55,076 children. College and graduate school enrollment was 32,087.

Educational Attainment of People in City of Oakland



Port of Oakland

The Port of Oakland (Port) is an independent department of the City. The Port area is situated along approximately 20 miles of waterfront. The City has operated a public harbor to serve waterborne commerce since its incorporation in 1852 and has operated an airport since 1927. The seven-member Board of Port Commissioners of the City of Oakland (Board) has exclusive control and management of Port property and revenues under the City Charter. The Board is nominated by the Mayor of the City and appointed by the City Council. The Board commissioners are residents of the City and serve staggered four-year terms without compensation.

The Port generates and supports economic activity locally, regionally and globally through three major business lines. The Port's **Aviation Division** operates Oakland International Airport (OAK), a passenger, cargo and general aviation airport which offers more than 134 daily commercial passenger departures to approximately 32 domestic and international destinations as well as all-cargo flights to and from destinations around the globe. The Port's **Maritime Division** manages the fifth busiest container seaport in North America based on the number of twenty-foot equivalent units (TEUs) handled annually. In CY 2010, 2.3 million TEUs moved through the seaport. The seaport is an international gateway, with approximately 88% of its trade with international trading partners and regions, and the remaining 12% representing domestic trade within the U.S.

¹ State of California Employment Development Department, <http://www.labormarketinfo.edd.ca.gov>

The Port's **Commercial Real Estate (CRE) Division** oversees a total of approximately 876 acres of land along the Oakland Estuary containing warehouses, public parking, hotels, offices, shops, restaurants, and hundreds of acres of public parks and habitat conservation areas. The Port also serves as a trustee for waterfront property serving commercial, navigational and recreational purposes.

According to an economic study undertaken by the Port in 2010-2011, Port related economic activities support approximately 73,560 direct, induced and indirect jobs in the region and approximately 827,000 related jobs in California and the U.S. In addition, the Port affects the generation of business revenue totaling approximately \$6.8 billion annually.

ECONOMIC IMPACTS OF THE PORT OF OAKLAND CY 2010

<u>ECONOMIC IMPACTS</u>	<u>AVIATION</u>	<u>MARITIME</u>	<u>COMMERCIAL REAL ESTATE</u>	<u>TOTAL PORT</u>
REVENUE (in \$ millions)				
Business Revenue	\$4,216	\$2,108	\$500	\$6,824
Personal Income	\$1,868	\$2,222	\$316	\$4,406
State/Local Taxes	\$197	\$233	\$33	\$463
Local Purchases	\$271	\$522	\$58	\$851
DIRECT AND OTHER JOBS (in thousands)				
<i>Types of Bay Area jobs:</i>				
Direct	7,680	10,927	3,336	21,943
Induced	5,578	11,600	1,433	18,611
Indirect	<u>1,408</u>	<u>6,306</u>	<u>868</u>	<u>8,582</u>
TOTAL DIRECT AND OTHER JOBS	14,666	28,833	5,637	49,136
VISITOR INDUSTRY JOBS (direct and induced)	24,428	---	---	24,428
RELATED JOBS	383,010	443,988	---	826,998

Source: Martin Associates, April 18, 2011

Definitions of categories listed in the table:

Business Revenue: Revenue generated by businesses due to Port activity.

Personal Income: Wages and salaries of direct job holders plus wages and salaries of indirect job holders plus re-spending and consumption.

State/Local Taxes: Includes state and local income tax, sales tax, motor vehicle registration and licensing tax, state motor fuel tax, county property tax and local city tax. This includes direct, induced/local consumption, and indirect taxes.

Local Purchases: Purchases of goods and services by firms dependent upon the Port. These support local, indirect jobs.

Direct Jobs: Bay Area jobs wholly-dependent upon the Port's existence.

Induced Jobs: Jobs, generally but not necessarily in the Bay Area, which are generated by direct job holders spending their salaries on goods and services.

Indirect Jobs: Similar to induced jobs, but generated by businesses re-spending their income on local goods and services.

Visitor Industry Jobs: Direct, induced and indirect jobs supported in the Bay Area visitor industry as the result of out-of-town passengers using the OAK.

Related Jobs: Jobs with companies that ship or receive goods through the seaport or airport to the extent such jobs are directly connected to the companies' activities at the Port.

AVIATION

For eighty-four years, OAK has served the travel and air cargo needs of the San Francisco Bay area. Work crews at OAK in 1927 constructed what was then the world's longest runway. The then 7,020-foot strip served as the takeoff point for the first trans-Pacific flight from the U.S. mainland to Hawaii, spanning 2,400 miles. OAK received national recognition at its 1927 dedication when Col. Charles A. Lindbergh declared OAK "one of the finest airports" he had ever seen. It also was the departure point for Australian World War I ace Sir Charles Kingsford-Smith, who made the first flight between North America and Australia in 1928. OAK is perhaps best known historically as the departure point for Amelia Earhart on her fateful round-the-world flight in 1937. OAK was the West Coast terminus for United Airlines' newly introduced service to New York in 1937. The new DC-3s carried 14 passengers and made the trip in 15 hours and 20 minutes, with three stops.

In 1962, a 14-gate terminal (Terminal 1), 10,000-foot runway (South Field) and 10-story air traffic control tower were built to usher in the jet-age of commercial aviation. An additional two gates were added to Terminal 1 in 2000. A second, eight-gate terminal (Terminal 2) was opened in 1985 and was expanded to a total of 13 passenger gates in 2007. Terminals 1 and 2 have a total of 29 gates and serve all passengers on commercial airlines operating at South Field. The original airfield (North Field) is presently used by air cargo and corporate and general aviation operators. The North Field alternate runway is used by commercial airlines when the South Field runway is not operational.

Oakland International Airport Today

OAK is located in the heart of the San Francisco Bay Area region (see San Francisco Bay Area Region Map on page A-6) and is the airport closest to most Bay Area residents. It is one of

three international airports serving the fifth largest U.S. aviation market. Commercial airlines serving OAK provide service to over 30 destinations in the U.S., as well as to Mexico. OAK is a popular place to do business for the nation's most profitable airlines and also with airline passengers who appreciate affordable flights, superior aeronautical reliability and convenient airport access to all of the major San Francisco Bay Area business and leisure destinations. Southwest Airlines operates its largest California station at OAK and is the dominant carrier at the airport today. It is joined by other profitable U.S. airlines including Alaska Air Group, Jet Blue Airways, Allegiant Air and Hawaiian Airlines. In total, 12 air carriers currently serve OAK.

In addition to its status as a major passenger airport, OAK is the North American west coast hub for FedEx, the world's largest air cargo and logistics company. FedEx performs intermodal sort and distribution of freight and overnight packages from around the world from its state of the art facilities at OAK. Another air cargo company, UPS, also maintains a large hub operation at OAK.

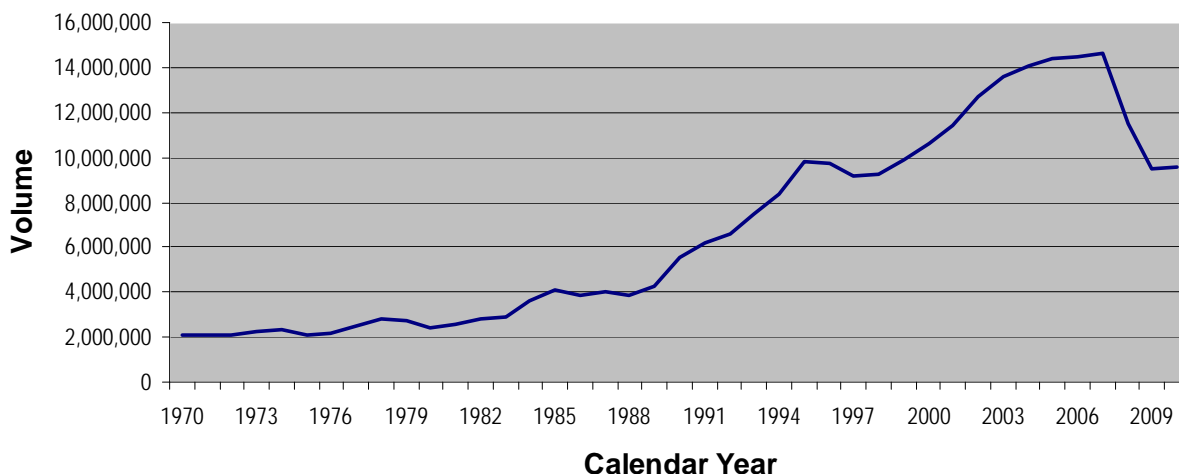
Passenger Traffic

From 1997-2007, OAK had ten consecutive year-over-year growth in passenger activity. However, a combination of negative events associated with high fuel prices, the economic crisis of 2008-2009 and new air carrier activity at San Francisco International Airport (SFO) resulted in a significant decline in enplanements at OAK by 2009. Analysis of Department of Transportation traffic data reveals that as much as 40% of OAK traffic in key markets shifted to SFO during this time. These key markets are Los Angeles, San Diego, Las Vegas, New York – JFK, Boston, and Washington DC – Dulles.

In CY 2009, passenger activity in all markets decreased by 17.2% to 9.5 million passengers compared to CY 2008. CY 2010 passenger activity remained essentially flat from CY 2009

levels. The number of aircraft takeoffs and landings in CY 2010 was 219,652 compared to 233,183 in CY 2009, a decrease of 5.8%.

OAK Historical Passenger Volumes



Air Service

Since 2008, several airlines have ceased service at OAK and service to some destinations was discontinued. However, during this time, other airlines have initiated service at OAK. Since 2009, OAK has welcomed two new airlines, added several new destinations, and maintained consistent service on major routes.

In February 2009, Allegiant Airlines moved its operation to OAK from SFO, and began service to Bellingham, Washington, a gateway to British Columbia, Canada. The airline expanded service from OAK to Eugene, Oregon's second largest city, in June 2009. Allegiant continues to pursue plans for further growth at OAK in 2011-2012.

Volaris, now the second largest airline in Mexico and a commercial partner of Southwest Airlines, began service at OAK in July 2009. Volaris held discussions with over a dozen U.S. airports, which resulted in OAK being one of only two U.S. airports selected in 2009. The other airport

selected was Los Angeles International Airport (LAX).

Alaska Airlines launched trans-Pacific flights between OAK and both Maui and the Big Island of Hawaii in November 2009. Alaska Airlines added Lihue, Kauai to its schedule in March 2011 and will increase the frequency of the Maui flight from four times weekly to daily in June 2011. Since 2008, Hawaiian Airlines has flown daily between OAK and Honolulu. In response to high demand, Hawaiian Airlines expanded service from OAK in 2010 with the addition of a daily flight to Maui. Seats offered from OAK to Hawaii will reach a historic record high during summer 2011 with 836 daily seats to four Hawaiian Islands. This represents a significant shift of traffic from SFO to OAK and also the emergence of OAK as a major North American trans-Pacific gateway to Hawaii.

Air Cargo

OAK ranked as the 12thth largest cargo airport in the U.S. in 2010 and among the top 40 cargo airports in the world in 2010. OAK handled

approximately 1.13 billion pounds of air cargo (freight plus mail) during CY 2010. This was an increase of 4% above CY 2009 levels.

At OAK, FedEx is the major operator of freighter aircraft with 5,530 flights arriving (averaging 15 flights a day) and 907 million pounds handled in CY 2010. UPS, another major worldwide air cargo carrier, operated 1,295 flights (averaging 4 flights a day) and handled 174 million pounds in CY 2010. Both of these carriers picked up most of the cargo volume previously handled by DHL when it ceased domestic operations. However, for both of these operators, the current daily operations are down substantially from early 2008.

In addition, small general aviation aircraft freighters also operate at OAK. Ameriflight operated approximately 4,800 flights (averaging 13 flights a day) and handled over 6 million pounds of cargo in CY 2010. Ameriflight also provides some feeder service to UPS. In addition, Ameriflight operates Learjet aircraft to the Northwest, Los Angeles and Phoenix areas.

Southwest Airlines ranks as the third largest volume cargo carrier at OAK. With a large fleet of aircrafts with lower deck cargo space and as many as 107 flights a day at OAK, Southwest handled 15 million pounds of cargo in CY 2010.

The volume ranking for cargo carriers at OAK in CY 2010 is shown in the table below:

Cargo Carrier	Volume (in millions of lbs)
FedEx	907
UPS	174
Southwest	15
Other	31

The global recession experienced in 2008-2009, led to a worldwide reduction in air cargo volume, which, coupled with relatively high fuel prices, forced carriers to reduce the number of freighter flights and make additional stops on other flights, in an effort to maximize load factors and to service as many points as possible. The available capacity in the lower cargo compartments of passenger aircraft has also been utilized to maintain service to many destinations.

Terminal 1 Program

Terminal 1 is in the middle of an extensive renovation and retrofit, consistent with the Port's Strategic Plan to sustain economic and business development by maximizing the use of existing assets. The Terminal 1 Program focuses on replacement of aging infrastructure, bringing building systems up to code, and improving life cycle costs. Improvements include seismic retrofit, mechanical upgrades, new special systems and some architectural/life cycle maintenance upgrades. The project also includes a new mechanical building and upgraded Central Utility Plant (CUP).

The Terminal 1 Program, which began in 2007, is being implemented in a phased manner addressing priority needs and funding availability. The majority of the renovation will be funded using passenger facility charges. Several projects have been completed in FY 2011, including a new food, beverage and retail concessions program; updated gate podiums and gate information displays; expanded meet/greet area with more customer amenities; improved universal access and visual paging; seismic retrofit in the concourse, and upgraded fire protection.

During FY 2012, as authorized by the Board, the final design documents for life safety improvements in building M102 will be completed. The M102 building houses security, ticket counters, current South Field FAA Air Traffic Control Tower, and miscellaneous other

facilities for travelers. Additional projects include design and installation of fire suppression and fire alarm systems in the concourse (M103), upgraded paging and communications, and a new substation. It is anticipated that construction on the CUP will begin in 2011, and construction of the M102 life safety improvements will begin in 2012. OAK intends to keep Terminal 1 operational while improvements are constructed, so an important focus will be placed on phasing in improvements to minimize disruption to the traveling public and tenants.

In addition to maintaining, upgrading, and expanding its terminal facilities to serve customer needs, OAK must also continuously monitor and maintain its major infrastructure, including the airfield pavement and lighting systems to ensure safe and secure operating conditions. Ongoing airfield pavement improvement projects are largely funded by the Federal Aviation Administration (FAA) Airport Improvement Program (AIP). Aircraft apron projects have also received American Recovery and Reinvestment Act of 2009 (ARRA) funding and FAA Voluntary Airport Low Emissions grant funding.

OAK PASSENGER AND CARGO STATISTICS

	CY 2010	CY 2009	% Change
PASSENGERS			
Enplaned	4,769,923	4,750,185	0.4%
Deplaned	4,772,410	4,755,096	0.4%
Total	9,542,333	9,505,281	0.4%
FREIGHT (in 000 lbs)			
Inbound	536,985	509,627	5.0%
Outbound	569,287	554,302	2.7%
Total	1,106,272	1,063,929	4.0%
MAIL (in 000 lbs)			
Inbound	12,468	10,193	22.3%
Outbound	7,934	8,872	-10.6%
Total	20,402	19,065	7.0%
TOTAL AIR CARGO			
(Freight & Mail) (in 000 lbs)	1,126,674	1,082,994	4.0%
LANDED WEIGHT (in 000 lbs)	8,726,868	9,124,284	-4.4%
AIRCRAFT OPERATIONS			
(South and North Airport)	219,652	233,183	-5.8%

Source: Port of Oakland, www.oaklandairport.com

OAK PASSENGER ACTIVITY AND MARKET SHARE BY CARRIER CY 2010

Airline	Passengers Served in 2010	Market Share in 2010
Southwest	6,990,417	73.3%
Alaska/Horizon Air	642,039	6.7%
JetBlue	616,879	6.5%
Delta	305,833	3.2%
US Airways/US Airways Express	301,851	3.2%
Hawaiian	221,111	2.3%
United	167,466	1.8%
Volaris	163,406	1.7%
Allegiant	75,465	0.8%
Azores Express/SATA ¹	5,828	0.1%
Charter/Other	<u>52,038</u>	<u>0.5%</u>
Total	<u>9,542,333</u>	<u>100.0%</u>

¹ Azores Express, operated by SATA, provided seasonal service at OAK from June 2010 to October 2010

Source: Port of Oakland, www.oaklandairport.com

AVIATION OPERATIONS AT-A-GLANCE

Domestic Scheduled Service:	Alaska Airlines, Horizon Air, Allegiant Air, Delta Air Lines, Skywest Airlines dba Delta Connection, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, United Airlines, US Airways
International Scheduled Service:	Volaris Airlines, SATA International Airlines
Major All-Cargo Carriers:	FedEx, UPS, Ameriflight, WestAir
Number of Daily Departures:	191 (57 are all-cargo flights)
Acreage:	2,500 acres
Passenger Facilities:	Two terminals (556,000 sq ft), 29 boarding gates
Runways:	10,000-foot asphalt runway (can be extended to 11,600 feet) 6,212-foot asphalt runway 5,454-foot asphalt runway 3,372-foot crosswind asphalt runway
Number of Employees:	Approximately 8,000 Port and tenant employees (about one-third of tenant employees are in cargo-related jobs)
Largest Airport Employers:	Southwest Airlines, 2,236 employees (includes crew base staff) FedEx, 2,100 employees Rolls Royce Engine Services, 386 employees UPS, 293 employees Port of Oakland, 249 employees (Aviation division)
Public Parking:	6,944 vehicle capacity
Flight Crew Facilities:	Flight Attendant Base – Southwest Airlines, 1,044 employees Pilot Base – Southwest Airlines, 712 employees
Cargo Sort Facilities:	FedEx (73.7 acres) UPS (15.4 acres plus 50,000 sq ft warehouse)
U.S. Customs:	International Arrivals Facility (29,000 sq ft)

MARITIME

In the early and mid-1900s, the shipping business was rapidly expanding in Oakland due in part to the Panama Canal's opening and World War I. To accommodate the growing maritime seaport activities, City voters approved bonds in 1925 to finance the construction and development of a municipal port overseen by an autonomous Board of Port Commissioners. Two years later, the Port was officially established as an independent department of the City. The Port's seaport facilities would serve the Port for the next 40 years, with relatively few changes, until containerized shipping dramatically changed seaport operations. Developed in the U.S. in the 1950s, the new technology transformed shipping worldwide through the use of standardized steel containers that are carried by ship, truck and train. In the 1960s the Port became one of the pioneers of large-scale containerization in the U.S.

Vision 2000 Maritime Expansion

To meet regional, national, and global cargo transport needs for the 21st century, the Port completed its Vision 2000 maritime expansion program in 2002. The Vision 2000 Program included two new container terminals, a medium-sized intermodal facility called Oakland International Gateway (OIG), (formerly known as the Joint Intermodal Terminal), the addition of super-post-panamax cranes to accommodate newer, wider container ships, a new public park – Middle Harbor Shoreline Park, and new roads.

Deepening the Oakland Harbor (-50 Ft Project)

The Port began the planning and design for deepening its channels and berths to -42 ft in 1972. Due to complex environmental and regulatory issues, the project was completed more than 20 years later and the Port immediately commenced efforts to further deepen its harbor and berths to -50 ft to accommodate the newest generation of container ships. The U.S. Army Corps of Engineers was responsible for conducting the

dredging to deepen the channels, with the federal government and the Port sharing in the cost of the -50 ft Project. The -50 ft Project received ARRA funds which allowed for substantial completion in September 2009.

The Port deepened the berths to match the depth of the channel. However, berths at Howard and APL terminals remain at -42 ft. The APL wharf requires strengthening and reconstruction before the berth area can be dredged to a -50 ft depth. Completion and, now maintenance, of the -50 ft Project is critical to the Port's competitiveness as an international gateway.

Terminal Redevelopment Projects

In July 2008, the Port completed reconstruction of the Global Gateway Central Terminal (Berths 60-63), operated by Eagle Marine Services/APL. In summer 2010, the Port completed a renovation of the TraPac Terminal (Berths 30-32). Both of these projects, about \$100 million of investment, provide significantly upgraded facilities intended to improve operational efficiencies and capacity in the short and long terms. Projects such as these are critical to efficient and modernized operations at the Port, and go hand-in-hand with other initiatives at the seaport.

Berths 20-24 Terminal Concession

Following a solicitation process that began in May 2008, the Board approved the selection of Ports America Outer Harbor Terminal, LLC (PAOH) as the new concessionaire for Port Outer Harbor Berths 20-24 for 50 years beginning in January 2010. PAOH is part of the Ports America Group, which includes Marine Terminals Corporation, a stevedoring company that has a long history of operating at the Port. The PAOH Terminal is one of the Port's largest marine terminals, with approximately 4,400 linear feet of berth length and about 168 acres of land.

In late 2009, PAOH completed construction on new entry and exit gates for the terminal. The gate construction work was the first project of PAOH's renovation plans. The Port expects PAOH to upgrade and develop the terminal into a state-of-the-art facility to maximize throughput. This vision will require substantial capital investment by PAOH, and is expected to enhance maritime activity by attracting intermodal cargo with a state-of-the-art terminal and deliver long-term economic, environmental, and community benefits.

International Gateway Today

The Port is ranked as the fifth busiest cargo container port in North America, based on the number of TEUs handled annually. A TEU is an

international standard of measurement for the volume of business that moves through a container port. Containers vary in length, from 20 feet to 53 feet with the majority of the containers being 40 feet long. In CY 2010, approximately 2.3 million TEUs, or about 1.3 million containers, moved through the Port. Approximately 88% of the Port's trade is with international trading partners/regions and 12% is domestic. Asia is the most significant trading partner of the Port. In CY 2010, 83% of the TEUs that moved through the Port either originated from, or were destined for, Asia.

NORTH AMERICA CONTAINER PORT RANKING BY TEU VOLUME

	CY 2010 TEUs	CY 2009 TEUs	% CHANGE
LOS ANGELES (CA)	7,831,902	6,748,995	16.1%
LONG BEACH (CA)	6,263,499	5,067,597	23.6%
NEW YORK/NEW JERSEY	5,292,020	4,561,527	16.0%
SAVANNAH (GA)	2,825,178	2,356,574	19.9%
OAKLAND (CA)	2,330,214	2,045,211	13.9%

Sources: Respective port websites, 2011

MARITIME CARGO STATISTICS

CY 2009 and CY 2010

	CY 2010 TEUs	CY 2009 TEUs	% CHANGE
IMPORT	802,913	701,501	14.5%
EXPORT	954,814	966,882	-1.3%
FULL (IMP/EXP)	1,757,727	1,668,383	5.4%
EMPTY	572,487	376,828	51.9%
TOTAL	2,330,214	2,045,211	13.9%

Source: Port of Oakland, www.portofoakland.com, Maritime, Facts & Figures, Container Statistics

Loaded container cargo activity at the Port increased by 5.4% in CY 2010. Imports surged 14.5% compared to CY 2009 and exports were slightly off declining 1.3%. The Port has historically been a strong export seaport moving California agricultural products and other U.S. goods overseas to foreign markets. However, export volume at the Port in CY 2010 was hindered by a lack of equipment availability as ocean carriers sent empty containers back to Asia quickly to take on cargo waiting to be imported to the U.S. In fact, the export of empty containers from the Port increased 116% in CY 2010 compared to CY 2009. In CY 2010, imports comprised 46% of all loaded container activity, while exports represented 54%.

The Port currently has 8 marine terminals and 36 container cranes (post-Panamax and super post-Panamax). More than 25 shipping lines call at the Port, linking the Bay Area with direct all-water service routes to most of the world's major producing, consuming, and trading economies. The Port's current maritime assets include adequate capacities to accommodate some future growth.

Shore Power Program

In 2008, the California Air Resources Board (CARB) adopted a new regulation, requiring significant reductions in the air emissions from ships docked at California ports including the Port. Shore power is one of the principal methods of compliance with this regulation and

a key element of the State's Goods Movement Emission Reduction Program. Shore power provides electrical infrastructure so that ships can connect to the power grid and turn off their diesel-fueled auxiliary engines while docked at the Port. The Port began planning for shore power in 2009. Construction of the first phase of the Port's Shore Power Program started in Spring 2011 and will be completed in 2012. The first phase comprises infrastructure for 3 berths. The second phase of construction will start in early 2012 and is scheduled for completion by late 2013. The program cost is estimated at \$90 million. Funding for the program assumes approximately \$39.6 million in grants, of which \$12.8 million have been secured (a grant agreement is in place).

Former Oakland Army Base

Between 2003 and 2007, the Port acquired approximately 241 acres of the former Oakland Army Base (OAB). The Port is currently in negotiations with a development partner to redevelop approximately 168 acres of the 241 acres into a trade and logistics center. The developer(s) will be required to demonstrate its ability to design, construct, and finance facilities that will enhance maritime cargo handling capabilities at the Port such as intermodal rail terminal expansion and trade and logistics business facilities. The Port remains committed to the redevelopment of the OAB into a world class trade and logistics center.

**MARITIME
CARGO STATISTICS
CY 2000 through CY 2010
(000s)**

Calendar Year	Revenue Tons ⁽¹⁾	Loaded TEUs	Total TEUs
2000	22,814	1,322	1,777
2001	21,215	1,245	1,644
2002	21,667	1,280	1,708
2003	23,623	1,399	1,923
2004	25,511	1,508	2,048
2005	28,803	1,683	2,274
2006	29,542	1,718	2,392
2007	30,602	1,780	2,388
2008	29,362	1,707	2,234
2009	28,940	1,668	2,045
2010	30,934	1,758	2,330
Compounded Annual Growth Rate			
2000-2010	3.1%	2.9%	2.7%

Source: Port of Oakland, 2011

⁽¹⁾ Containerized cargo only

MARITIME OPERATIONS AT-A-GLANCE

2010 Cargo Vessel Arrivals:	1,973
Shipping Lines:	ANL Container Line, APL, CCNI, China Ocean Shipping Co, China Shipping Agency, CMA-CGM, Evergreen Line, Hamburg Sud, Hanjin Shipping Co, Hapag-Lloyd, Horizon Line, Hyundai Merchant Marine, "K" Line, Maersk Sealand, Maruba Line, Matson Navigation, Mediterranean Shipping Company, Mitsui OSK Lines, Norasia, NYK Line, OOCL, Pacific International Line, Polynesia Line, PO Shipping, U.S. Lines, Wan Hai, Yang Ming Line, Zim Container Line
Container Terminals:	Ben E. Nutter Terminal (Operator: Evergreen Marine Corporation), Charles P. Howard Terminal (Operator: SSA Terminals, LLC), Global Gateway Central Terminal (Operator: Eagle Marine Services), Oakland International Container Terminal (Operator: SSA Terminals, LLC), Ports America Outer Harbor Terminal Berths 25/26 (Operator: Ports America), Ports America Outer Harbor Terminal Berths 20-24 (Operator: Ports America), TraPac Terminal (Operator: TransPacific Container Service Corp.), TTI Terminal (Operator: Total Terminals, Inc.)
Deepwater Ship Berths:	18
Container Gantry Cranes:	36
Container Terminals:	Approximately 775 acres
Freeways Serving Port:	Interstate 80 (north & eastbound) 880 (southbound) 580 (eastbound) 980 (eastbound)
Railroads:	BNSF Railway Company Union Pacific Railroad Company
Principal Exports:	Edible fruits and nuts, meat/prepared meat/fish, etc., machinery, vehicles/not railway, beverages, inorganic chemicals/rare earth materials, metal scrap, hides and skins, misc. chemical products, wood pulp/paper/paperboard, organic chemicals, cereals/grain/seed/fruit, preserved food, plastic, cotton and yarn/fabric
Principal Imports:	Machinery, beverages, furniture and bedding, vehicles/not railway, apparel, toys and sports equipment, plastic, iron/steel products, wood, footwear, spices/coffee and tea, medical instruments, misc. textile articles, aluminum, paper/paperboard

Source: Port of Oakland and U.S. Department of Commerce, Bureau of Census

COMMERCIAL REAL ESTATE

The Port's CRE Division oversees approximately 876 acres of land along the Oakland Estuary. Development projects worth more than \$1.2 billion have been in the works over the past

several years and many of these projects are being realized through public/private partnerships to enhance the City's "front yard" and meet the needs of City residents and the entire region.

COMMERCIAL REAL ESTATE DIVISION AREA MAP



Much of the commercial land that historically had been put to industrial use in the Port area between Clay Street and Hegenberger Road is being transformed with new development. Warehouses, parking lots, and vacant land are expected to be converted into homes, hotels, offices, shops, restaurants, parks and industrial flex/research and development projects. The majority of the land was granted to the Port years ago as part of the State Tidelands Trust grants. In recent years, the Port has sold some properties to help finance waterfront projects, but in most cases, CRE has entered into agreements with private developers to ground lease and develop the projects using private funds.

The primary challenge for the CRE Division is to enhance profitability of the Port's real estate portfolio in an environment of increased competition, diverse public interest groups in the community, and regulatory uncertainty. As a first step towards meeting this challenge, a 1999 study of CRE's assets and operations led to a decision to sell some Port-owned property in the Hegenberger Road and Airport Business Park area and use the proceeds to support development of other Port projects and facilities. CRE has been successful with these efforts and has generated substantial cash for the Port from the sales of property over the past 10 years.

Jack London Square

The Port property that likely has the greatest direct visibility to most Bay Area residents is Jack London Square (JLS), at the foot of Broadway. The area has a rich history of maritime activity. Envision the mid and late 1800s along the City's thriving waterfront, with tall ships sailing into the harbor and smaller boats making their way among the larger commercial operations. Those who walked the docks may have heard not only the vibrant clamor of working sailors and laborers, but

perhaps the voice of Jack London who is said to have sung sea shanties (sailors' tunes) or spun stories for the pleasure of those around him.

The history of JLS dates back to the Gold Rush days when ferry service between San Francisco and the City docked at the foot of Broadway. In 1852, when the State Legislature incorporated the Town of Oakland, the first meeting of the board of Town Trustees was held in this location.



Picture above circa 1980

Over the last 30 years, the Port has worked to strengthen JLS's traditional reputation as a restaurant and transportation center with the

addition of complementary retail and entertainment businesses, including a world-class jazz club and a cinema.

Jack London Square Phase II

The Port is currently working with a private developer on Jack London Square Phase II (JLS Phase II). The project is designed to enhance the Jack London District's natural character, and enhance the public access and pedestrian experience along the waterfront. Some of JLS Phase II is already completed. Once the multi-year project is fully constructed and operational, it is expected to have created important public benefits: up to 2,000 permanent jobs; 650 jobs during the construction phase (some of these jobs have already been realized); an additional \$2.9 million in annual taxes for the City, and attractive public waterfront access. The project received approval from the Oakland City Council and the San Francisco Bay Conservation and Development Commission (BCDC) in 2004.

The centerpiece of this redevelopment project is a 170,000-square-foot marketplace called Jack London Market. A groundbreaking ceremony for the market was held in October 2007 to highlight a major step in the progress toward completion

of the overall revitalization of JLS. The public market is expected to be the largest of its kind on the West Coast. The building was recently completed, is six stories, and will house vendors offering local and California produce, baked goods, organic products, cheese, coffee, and quality fresh fish and meats and artisan foods. The Jack London Market will also house ethnic bistros and fine dining on the second floor; culinary businesses on the third floor; and class-A office space above.

A 32,000 square-foot retail/office building was completed in March 2008 as part of JLS Phase II. There is a public deck on the second floor on the water side with views of the Oakland estuary and the bay, and a public lawn area between the building and the waterfront that provides space for casual public enjoyment. At one end of the structure, ten palm trees, each rising 30 feet high, frame a path to the water's edge.

The restoration of the building at 66 Franklin Street to its original 1926 facade was completed in June 2006.



A new seven-story, 1,100-stall parking garage has been completed and serves customers at Amtrak and JLS. Also included in JLS is the existing Waterfront Hotel which recently underwent a major renovation under new ownership and management. Other projects currently envisioned include a 250-room urban resort conference center hotel and spa.

Oak-to-9th/Brooklyn Basin

Over the next few years, the Oak-to-9th Avenue waterfront district, centrally located on the Oakland Estuary minutes from JLS and the City downtown, is expected to be redeveloped as a new residential neighborhood by a private developer. The concept for the area is to develop the underutilized former maritime industrial district into a mixed-use waterfront neighborhood known as the Oak-to-9th/Brooklyn Basin Project. Intended uses for the site include a variety of residences with a retail component, interconnected public parks, and open spaces. The project also calls for the renovation of the Clinton Basin and Fifth Avenue Marinas. The objectives of this project are to deliver a revitalized waterfront for public use and to provide a new neighborhood for the City with a wide range of available housing types.

The Oak-to-9th Project was approved by the City Council on July 18, 2006. The project site is approximately 64 acres of waterfront property bounded by Embarcadero Road, Fallon Street, Tenth Avenue and the Oakland Estuary. The project permits granted by the City include approval for up to 3,100 residential units including 465 affordable housing units, 200,000 square feet of ground-floor commercial space, approximately 32 acres of parks and public open space, and two renovated marinas (total 170 boat slips). The existing buildings on the site are expected to be demolished with the exception of the Jack London Aquatic Center, a portion of the Ninth Avenue Terminal shed building, and a portion of the Ninth Avenue Terminal wharf structure.

The project does not include the privately-held property on Fifth Avenue. The project is expected to be constructed in four to six phases over a 15-17 year period.

Pursuant to the terms of an Option Agreement between the Port and Oakland Harbor Partners, the developer is required to obtain approval of the environmental review component of the

project prior to exercising the Purchase and Sale Agreement or Ground Lease from the Port (among other approvals). Close of escrow for the 30+/- acres to be sold as well as the execution of the ground lease for the remaining land are anticipated in late 2011.

Parks and Public Access

The Port's waterfront has evolved through the decades to include commercial and recreational development as well as significant public access areas. In 1999, the Port and the City approved *The Oakland Estuary Policy Plan*, which established public access policies for 5.5 miles of urban waterfront located between the Port's maritime and aviation areas. Major public access improvements along the waterfront on Port-owned land already developed include: Middle Harbor Shoreline Park – 40 acres in the heart of the seaport incorporating an informal amphitheater, large open space areas, interpretive exhibits, an observation tower, nature trails, stunning views and the City's only major beach; Union Point Park – 9 acres donated by the Port to create waterfront recreational open space for a nearby neighborhood with a high population density of children; Martin Luther King, Jr. Regional Shoreline – approximately 600 acres of land and water area, offering picnicking, fishing, hiking, bicycling, boating and bird watching opportunities; Estuary Park and the Jack London Aquatic Center – within Estuary Park, a City park located on Port property, in which the Port helped fund the construction of a 16,000 square foot multi-purpose boathouse and community center; and portions of the San Francisco Bay Trail, where 19 of the 450 miles of trail will be located in the City and its waterfront when the regional project is completed. The Port has improved several segments of the San Francisco Bay Trail between JLS and Embarcadero Cove. More public access improvements are forthcoming through various Port projects.

COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE

Land Area Managed:	Approximately 876 acres
Major Planned Developments by Private Developer:	<p>Jack London Square Phase II Project: 250,000 sq ft of retail/entertainment (completed); 1,100 space public parking garage and public access; improvements throughout JLS (completed); 200,000 sq ft of office space, and 250-room full service hotel</p> <p>Oak-to-9th Project: 3,100 residential units, 200,000 sq ft of commercial space, 2 marinas and 32 acres of open space</p>
Parking:	2,400 public parking spaces in Jack London Square
2010 Gross Sales¹:	\$50.0 million
Current Tenant Mix:	26 Warehouse Agreements 6 Hotel Agreements 13 Restaurant Agreements 18 Retail Agreements 20 Office Agreements 31 Various Other Agreements (Parking, Billboards, Radio Towers, Land, etc.)
Public Access and Open Space:	About 600+ acres of public access and open space is located on Port-owned property managed by CRE
Land Use Standards:	The majority of CRE properties are subject to the City of Oakland General Plan and City of Oakland land use authority as well as State Tidelands Trust restrictions. A few of the other regulatory agencies which may have regulations applicable to CRE properties are BCDC, RWQCB, CARB, DTSC, Coast Guard, Corps of Engineers and FAA

¹ Sales generated by Port tenants

Source: Port of Oakland, May 2011

SECURITY

After September 11, 2001, airport and seaport security became issues of greater national concern. At OAK, intensified passenger security screening, baggage screening and matching, and other measures have been and continue to be introduced. OAK partners with the Transportation Security Administration (TSA) which is within the Department of Homeland Security (DHS) and with the Alameda County Sheriff's Office, which is under contract to the Port to provide law enforcement services at OAK, to evaluate and address security-related issues and to implement TSA regulations. The Port's Maritime Division partners with the U.S. Coast Guard, U.S. Customs and Border Protection, local law enforcement and maritime tenants and customers to tighten security at the seaport. The cost of meeting security guidelines is rising as more requirements are put into place.

Aviation security requirements and regulations continue to evolve as the DHS responds to known and anticipated threats to aviation security. One of the most recent changes includes the installation of Advanced Imaging Technology at OAK's passenger screening checkpoints.

The Maritime Division has several projects, which include Radiation Portal Monitors, video surveillance, intrusion detection and reporting system, truck tracking, communication systems between law enforcement/emergency agencies and Transportation Worker Identification Credential (access control), that have been or are currently being implemented to enhance Port security.

The Port anticipates that it will continue to look to the federal government for increased security funding. The major challenge to funding security initiatives is that most of the grants are limited to infrastructure, training and equipment and require that the participating port pay a share of the costs.

COMMUNITY CONNECTION

The Port recognizes that its business can profoundly affect the community and the environment. As a result, the Port has expanded its original focus on "commerce and navigation" to include a commitment to doing its part in promoting the economic, social, and environmental well-being of the City and the region.

The Port is located on San Francisco Bay, one of the most productive, scenic and environmentally sensitive estuaries in the world. The Port is committed in its role as a steward of the public trust and to improving the environment, being socially responsible and relieving congestion. The Port engages with the public, businesses, advocacy groups, tenants and regulatory agencies to improve its performance on traditional and emerging environmental issues ranging from air and water quality to climate change and sustainability.

Alternative Energy

The Port is moving on several fronts to increase the use of renewable and alternative energy. On July 6, 2004, the Board adopted a Renewable Portfolio Standard (RPS) for the Port's wholesale electric power. The RPS establishes that 20% of the Port's electricity purchases for resale be from renewable sources of energy, with an objective of 40% by 2017, based on the 2004 adopted methodology for defining renewable sources.

On April 12, 2011, Governor Jerry Brown signed SBX1 2 into law, setting forth new, California-wide RPS requirements. The new RPS requires the Port to purchase electricity from renewable sources at the following percentages: 20% by 2013, 25% by 2016, and 33% by 2020. The new law is expected to be finalized in the second half of FY 2012. In the latter part of FY 2012, staff will be recommending to the Board methodologies to implement the new RPS, including consideration of the Port's current goal

for the year 2017, which is not included in SBX1 2.

The Port currently receives an allocation of hydroelectric power from Western Areas Power Administration (WAPA), an agency of the United States Department of Energy. Under the methodology adopted by the Board in 2004, all of the power received from WAPA is considered a renewable source. Studies are being conducted by the California Energy Commission to determine whether or not the power received from WAPA can continue to be counted as a renewable resource in the future.

In November 2007, the Port and Sun Edison, LLC entered into a power purchase for a solar power system located at OAK. The solar power system, which consists of nearly 4,000 panels, generates over 1,000,000 kilowatt hours of energy annually. The Port purchases all the energy generated by the solar power system under a long-term, predictably-priced contract for use by the Port and Port tenants.

In April 2011, the Board approved the Port's participation in a geothermal power plant project. The Port expects the project to meet 10% of the Port's electric needs and 33% of the new 2020 RPS requirement.

Materials Management Program

The OAK Materials Management Program (MMP) is expected to process and handle over 700,000 cubic yards of recyclable concrete, asphalt, soil and green waste over a 15-year period from construction, demolition, and maintenance activities at OAK. The goal of the MMP is to recycle all of the construction waste on-site for use in future capital improvement projects. Recently, the MMP was expanded to include recycling of construction waste generated by Port tenants. In addition to saving resources through reuse, this program reduces truck emissions by reducing the amount of materials that need to be trucked to and from Port construction sites. The MMP has saved the

Port over \$17.5 million since 2004, and has generated approximately \$1 million in revenue.

Maritime Air Quality

In the seaport area, the Port is implementing programs to comply with air quality regulations and to curb the effects of emissions from Port sources on the environment. In 2007, the Port established a task force comprising neighbors, seaport tenants, customers, regulatory agencies and other stakeholders to develop the Maritime Air Quality Improvement Plan (MAQIP). The MAQIP was developed over the course of almost two years in response to recognized public health issues, complex new State regulations and a broad spectrum of diverse interests concerned with the issue of maritime-related air quality. The MAQIP represents the Port's comprehensive policy framework to improve air quality and public health related to emissions from seaport operations. In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement which includes a goal to reduce the cancer health risk from diesel particulate matter (DPM) at the seaport by 85% by 2020 (using 2005 emissions as the baseline). In 2009, the Board adopted the MAQIP.

The MAQIP establishes an emissions reduction approach comprised of three strategies:

1. Target emissions reductions earlier than required by regulations ("early actions");
2. Support enforcement of regulations; and
3. Target emissions reductions above and beyond those required by law.

In support of these strategies, the MAQIP identifies near-term control measures to guide the work of Port staff:

- Cooperate with funding agencies in the retrofitting and/or replacement of Port drayage trucks;

- Support compliance with shore power regulations;
- Promote seaport design and operational efficiencies;
- Participate in pilot and verification projects for pollution reduction strategies;
- Continue early action construction emissions reduction program;
- Support enforcement of regulations through coordination with tenants; and
- Ensure accountability, monitoring and reporting.

In partnership with maritime stakeholders, staff is actively seeking grants and other funding opportunities to pay for emissions reduction projects in support of these measures.

The Port has been involved in a number of projects to improve air quality:

- As part of its Comprehensive Truck Management Program (CTMP), the Port coordinated with the Bay Area Air Quality Management District (BAAQMD) in FY 2009-2011 to assist Oakland drayage truck drivers serving marine terminals with the purchase and installation of diesel particulate filters to meet State of California regulatory requirements. In addition to contributing \$5 million for truck retrofits or replacement, the Port helped staff the trucker grant information and outreach center in the seaport area and helped negotiate a compliance schedule for grant recipients.
- Another key environmental initiative is the Shore Power Program. Shore power provides electrical infrastructure that allow ships to connect to the power grid and turn off their diesel-fueled auxiliary engines while docked at the Port. Shore power is a key element of the State's Goods Movement Emission Reduction Program and one of the principal methods of compliance with the

CARB regulation for "vessels at berth." The first phase of construction, at three of the Port's berths, started in Spring 2011 and is expected to be completed in 2012. The second phase of construction will start in early 2012 and is expected to be completed by late 2013.

- The Vision 2000 Air Quality Mitigation Program (V2K AQMP) was a Port-funded program of emissions reductions projects including: truck replacements; terminal cargo handling equipment retrofits, repowers and replacements; a tugboat engine replacement; AC Transit bus retrofits; air quality monitoring; and other air quality programs and projects. In early 2011, remaining V2K AQMP funds were re-allocated to other Port projects that provide air quality and environmental benefits.
- The Port awarded grants to terminal operators from 2002 to 2006 to retrofit or replace older cargo handling equipment which reduced diesel pollution by 24 tons – which is equivalent to 1,200 trucks being taken off the roads for a year.
- At the seaport, the Port constructed OIG as part of Vision 2000, a near-dock rail terminal operated by Burlington Northern Santa Fe (BNSF) Railway. OIG eliminated the need for a 12 mile truck trip between the Port and the BNSF rail yard in Richmond thereby significantly reducing truck emissions.

Habitat Restoration and Park Development

The Port is committed to environmental restoration as part of its developments and operations. The Port has implemented and participated in a number of wetlands restoration projects around San Francisco Bay such as the Arrowhead Marsh wetlands restoration project at Martin Luther King Jr. Regional Shoreline (MLK), Sonoma Baylands, the Hamilton Base Wetlands Restoration Project and Damon Slough seasonal wetlands at MLK.

A major restoration project in the heart of the seaport is the Middle Harbor Enhancement Area (MHEA). Port staff coordinated with federal and state agencies, community representatives and scientists to design the habitat restoration for the 180-acre water area of the Port's Middle Harbor, a former U.S. Navy vessel berthing area. It was created by using dredged materials from the Port's -50 ft Project. MHEA is a model project which demonstrates the benefits of reuse of dredged materials to restore habitat. Birds, aquatic species and eelgrass are thriving in the area due to its specific environmental and hydrological design and features.

Adjacent to MHEA, the Port designed and constructed the approximately 40+ acre Middle Harbor Shoreline Park with areas for fishing, strolling, picnicking, bicycling and special events. This park offers panoramic views of San Francisco Bay, the cities of Oakland and San Francisco, and Port maritime operations, and provides residents and visitors with the City's first and only major beach area in San Francisco Bay.

Energy Conservation

In 2011, for the fifth consecutive year, the Port headquarters, located at 530 Water Street, was awarded the Energy Star label by the United States Environmental Protection Agency (EPA) and the United States Department of Energy (DOE). The Energy Star is a joint program of the EPA and DOE to help Americans save money and protect the environment through energy efficient products and practices. To achieve an Energy Star award, a facility must rank among the top 25% most energy efficient buildings in the market on a scale of 1 to 100. The Port's headquarters scored an 84 in the EPA benchmarking of facilities nationwide.

Storm Water Management

To protect the water and natural resources of San Francisco Bay, the Port implements programs to reduce pollution and safeguard

wildlife. The most comprehensive of these programs is to prevent pollution from water runoff, especially from industrial, construction and municipal sources. The Port has developed a comprehensive Storm Water Management Plan (SWMP), currently undergoing regulatory review, which will authorize new initiatives and offer new enforcement mechanisms to prevent storm water runoff. As part of SWMP, the Port also engages the public, sponsoring shoreline clean-up events annually since 1992.

Green Design

The concourse at OAK Terminal 2 incorporates green building features that save energy, reduce waste, and protect the environment. These features were selected using guidelines put forth by the Leadership in Energy and Environmental Design (LEED). LEED is the nationally recognized rating system developed by the U.S. Green Building Council. Terminal 2 at OAK was awarded LEED's Silver Certification by the U.S. Green Building Council for its environmental leadership in extending and renovating Terminal 2, the first airport passenger terminal in the U.S. to receive the "Silver" level of this prestigious award.

SOCIAL RESPONSIBILITY

Some of the ways that the Port contributes to the vitality of the City and surrounding communities are through the programs administered by its Social Responsibility Division (SRD). SRD aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community. SRD seeks to achieve access and equity through the following activities:

- Administering and managing federal, state, local and Port policies and regulatory requirements as they relate to economic and equal employment opportunity;
- Providing the local community access to business and workforce opportunities;

- Ensuring that the Port and its contractors, vendors and tenants fulfill their regulatory compliance requirements (i.e., federal, state, local and Port mandates);
- Promoting equitable and fair policies, programs and procedures for employees and external stakeholders; and,
- Strengthening the Port's commitment to strategic collaboration and outreach with key stakeholders (Port staff, contractors, tenants, vendors and community partners and residents) to maximize community economic opportunity and development.

These efforts are focused on addressing the community's priorities around equitable, fair and inclusive economic opportunity, sustainable wages and workforce utilization, access to jobs and business opportunities.

Equitable Contracting at the Port

On October 7, 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBP) to ensure non-discrimination in Port contracting processes and facilitate small and local business participation in Port public works and goods and services contracts.

The NDSLBP provides preference points for local, small and very small businesses bidding on Port contracts; sets aside contracts for small businesses; and facilitates technical assistance and other financial services to ensure equitable access to Port contracting opportunities. The NDSLBP can only apply to those projects where no federal assistance (i.e. U.S. Department of Transportation, Federal Aviation Administration, etc.) is received. Federally assisted projects require specific guarantees and special provisions that must be met in order to accept and retain federal monies (grants). The NDSLBP is a Port policy and can be amended at any time by the Board.

To support the NDSLBP provisions and process, the Board approved a formal Port certification of small and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA). LIA firms are those located in the cities of Oakland, Alameda, Emeryville and San Leandro. LBA firms are those located in other cities outside of the LIA but within Alameda and Contra Costa counties.

The Port also encourages participation by firms that have been certified as Small Business Enterprise (SBE – meets the dollar threshold earning \$14 million or less in gross receipts annually) and Very Small Business Enterprise (VSBE – meets the dollar threshold earning \$2 million or less in gross receipts annually). Port-certified firms are entered into the Port's web-based business database, where local and small businesses can receive free marketing and where prime companies can locate small and local businesses to utilize on their project teams.

In June 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBP. This collaborative policy introduced new strategies for facilitating local and small business participation when the project and specifications are not sufficiently defined to allow bidders to identify their subcontractors, suppliers, or sub-consultants, at the time of bid submission. Five major enhancements were added to the policy to cover occasions when alternative project delivery methods are used. The APDA pairs minimum local and small business utilization requirements with financial incentives for exceeding goals and penalties for under-achieving the goals:

1. Anyone proposing to contract with the Port must demonstrate a past history of effectively utilizing small and local businesses, and a measurable plan for doing so on the project proposed.

2. Overall minimum utilization requirements will be set for each project.
3. Proposers must identify goals, which meet or exceed the Port's minimum requirements. The winning proposer's goals will become part of the contract.
4. If the contract goals are exceeded, the contracting party will be rewarded. If the goals are not met, the contracting party will be penalized.
5. Data on local and available firms will be maintained and reporting requirements will be integrated via frequently updated web-

based programs which contracting parties will be required to use.

As a result of the NDSLBP policy, the Port has achieved noteworthy small and local business utilization. As demonstrated in Table 1 below, in FY 2010, the Port achieved 59% Local Business Utilization and 27% Small Business Utilization for Port contracts in major contract categories (excluding goods and services). For Local Business Utilization by Contract Type please see Table 2.

Table 1. FY 2010 Contract Dollars, Local and Small Business Utilization

Total Contract Amount (includes "Under Bid Limit", "Consultant" and "Public Works" Contracts)	Local Business Utilization (includes LIA + LBA)		Small Business Utilization (includes SBE + VSBE)	
\$35,425,395	\$20,801,254	59%	\$9,559,240	27%

Table 2. FY 2010 Local Business Utilization Percentage

Contract Type	Contract Amount	Local Business Utilization	
		<u>In Dollars</u>	<u>Percentage</u>
Under the Bid Limit	\$2,487,439	\$982,075	39%
Consultant Contracts	\$20,686,999	\$11,805,160	57%
Public Works	\$12,250,957	\$8,014,019	65%
Total Contract Amount	\$35,425,395	\$20,801,254	59%

Sustainable Wages and Local Workforce Utilization at the Port

On March 5, 2002, the voters of the City passed Measure I, adding to the City Charter Section 728 (§728) entitled "Living Wage and Labor Standards at Port-assisted Businesses." §728 requires Port aviation and maritime businesses that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City

Ordinance and adjusted annually based on the Consumer Price Index for the San Francisco, City and San Jose area.

The Living Wage rate as of July 1, 2011 is set at \$11.35 per hour for employees who receive health benefits and \$13.05 per hour for employees who do not receive health benefits. Specifically, §728 applies to Port contractors and financial assistance recipients with the Aviation or Maritime Divisions that have

contracts worth more than \$50,000 and that employ more than 20 employees who spend more than 25% of their time on Port-related work. §728 also provides applicable employers with incentives to provide health benefits to employees, establishes a worker retention policy, and requires applicable employers to provide access to payroll records in order to monitor compliance. The applicable employers are also required to allow labor organization representatives to access the workforce during non-work time and on non-work sites.

The Board passed a resolution on August 6, 2002, to extend coverage of §728 to Aviation and Maritime Division tenants that have month-to-month tenancy. On October 1, 2002, the Board amended Port Ordinance Number 3666 with Ordinance 3719 to incorporate the provisions of §728 and to apply those provisions to month-to-month tenants effective November 1, 2002.

The Port has also developed a number of strategic partnerships to stimulate local workforce utilization. Some of those efforts include partnering with the ATLAS program, an innovative program of Peralta Colleges designed to create career path training and employment for East Bay residents in warehousing and logistics (truck driving, supply chain management, technologies, etc.) and the Port's partnership with labor and community through the Maritime and Aviation Project Labor Agreement (MAPLA).

Maritime and Aviation Project Labor Agreement

MAPLA was adopted by the Board in 2000. It was intended to cover the capital projects in the Port's Aviation and Maritime areas. In response to Board policies, the MAPLA was designed to ensure project labor stability, the employment of Port LIA residents, and the utilization of Port recognized small businesses.

Initially adopted for five years (through December 2004), the MAPLA was extended for

two years as a result of the settlement of an arbitrator's award extending coverage of the MAPLA to Port tenants' construction activities (through December 2006) and has been further extended three times by Board action and the concurrence of the Building Trades Unions on a month-by-month basis. In June 2010, the Board extended the MAPLA for five years (through June 30, 2015).

The MAPLA Local Hire Program continues to advance the Port's local-hire goals. The MAPLA sets specific goals for the hiring of residents from the Port's LIA and LBA. LIA residents are to perform 50% of all hours worked, on a craft-by-craft basis to ensure local-resident utilization in all crafts. If LIA residents are not available, capable or willing to work, LBA residents may count for compliance purposes. Subject to any restrictions by law, apprentices are to perform 20% of all project hours performed on a craft-by-craft basis and the goal is that all of these hours will be performed by LIA resident apprentices, with LBA resident apprentices as an allowable back up. The MAPLA also maintains a "Social Justice Trust Fund" used to fund local training and employment programs.

Successes:

- Over 3.7 million craft hours have been worked under the MAPLA resulting in 1.15 million LIA craft hours of employment.
- LIA/LBA resident craft hours total over 2.2 million – 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA.
- Over \$109 million in wages were earned by LIA/LBA residents; \$57 million went to LIA residents.
- Contractors' contribution of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over \$385,000 in grants distributed to community groups working to achieve the Port's local-hire goals.

Challenges:

- Reduced construction activity and the economic downturn have created new challenges for the program.
- Trade unions have high unemployment in many prominent craft jobs such as carpenters, operating engineers, and electricians.
- Increased compliance scrutiny from federal and state agencies who provide grants to the Port.

The Port, labor and community have benefitted greatly from the MAPLA. The Port has enjoyed more than ten years of labor peace and the local community has gained jobs and experience through the local hiring goals requirements of the MAPLA. Through the MAPLA's Social Justice Trust Fund, a national model, local contractors have become proactive in investing in community training programs, helping the local community to grow.

PORT PAYMENTS TO THE CITY OF OAKLAND

The Port pays for a wide variety of special services provided by the City such as fire, police and treasury. The Port anticipates paying the City approximately \$13.5 million in FY 2011 for special services, general services, Lake Merritt payments, and for tax revenue collected on the City's behalf, primarily parking taxes.

Although some U.S. port operations receive funding from local tax revenues, this is not the case at the Port. The Port is a self-sufficient and independent department of the City. Thus, the Port must generate sufficient revenue to financially support its day-to-day operations. While businesses at the Port are creating jobs and revenue, they are also generating tax revenues for the City and State of California.

ECONOMIC FORCE FOR THE REGION

The Port began operations in 1927 and is now in its 85th year. After more than eight decades, the Port continues to meet challenges and leverage opportunities to ensure its competitiveness and financial health, which in turn allows the Port to deliver meaningful and diverse benefits locally and regionally, as well as throughout the State of California and beyond.

The global economic downturn in 2008-2009 negatively impacted Port revenues. As we look to FY 2012, we recognize the business climate is modestly improving, but challenges will continue to face the Port in light of a fragile economic recovery. Furthermore, personnel costs, regulatory costs, and debt service payments are increasing significantly. The Port has been addressing, and will continue to address, these challenges aggressively in a number of ways, including but not limited to:

- Pursuing revenue enhancement opportunities
- Reducing the capital budget
- Reducing operating expenses
- Debt defeasance and/or refinancing
- New public-private partnerships for infrastructure development
- Strengthening relationships with our business, community and labor partners, and other public agencies

Even in these challenging times, the Port's economic contributions are significant. In 2010, approximately \$105.7 billion of economic activity was associated with the Port¹.

Key highlights of economic activity associated with the Port include:

- Over 73,000 jobs
- Approximately \$6.8 billion in direct business revenue
- Approximately \$4.4 billion in personal income

¹ Martin Associates, April 18, 2011

In 2011, the Board adopted a 5-year Strategic Plan, which highlights the Port's key goals and objectives, including: delivering economic and environmental benefits, growing core business revenues, ensuring the Port's financial health, and optimal operational and workforce performance. Going forward, the Port envisions building up and allocating its resources in a manner that is consistent with its strategic objectives, and making critical, and sometimes difficult decisions in order to continue its history of providing value to its partners and being successful. The Port will continue to manage a competitive and dynamic business environment through leadership, teamwork, and innovation at all levels of the Port organization while improving the quality of life for those who live, work, and play in the City, its neighboring communities and the region.

Website: www.portofoakland.com

FINANCIAL POLICY GUIDELINES

The Operating and Capital Budgets are used to assess the financial strength and management of the organization.

General Guidelines

- The basis on which the budget is prepared is consistent with the basis of accounting used, as promulgated by GASB Section 1700.116. The operating budget is presented on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid.
- The Port adopts a balanced operating budget in which total revenues exceed total expenditures.
- All known expected revenues and expenses are reflected.
- Expected future revenue, which may not have signed contracts, has been budgeted only to the extent such expectation is reasonable.
- Incremental revenue from new capital projects, some of which are completed and others of which are expected to be completed within the budget period, are included in the operating revenue only to the extent such expectation is reasonable.
- A monthly operating budget and quarterly capital budget variance report is analyzed and distributed to the Board in order to determine if corrective action is needed.
- Funding sources for operating and capital expenditures are identified and allocated, including Port-generated cash, bonds and commercial paper proceeds, grant proceeds, Passenger Facility Charges and Customer Facility Charges.
- The City Charter requires the Port to send its adopted Budget to the City by the third Monday in July.

Bond Covenant

- The Port's Bond Indentures require a minimum debt service coverage ratio of 1.25 for Senior Lien and 1.10 for Intermediate Lien debt service.

Board-Initiated Reserve Policies

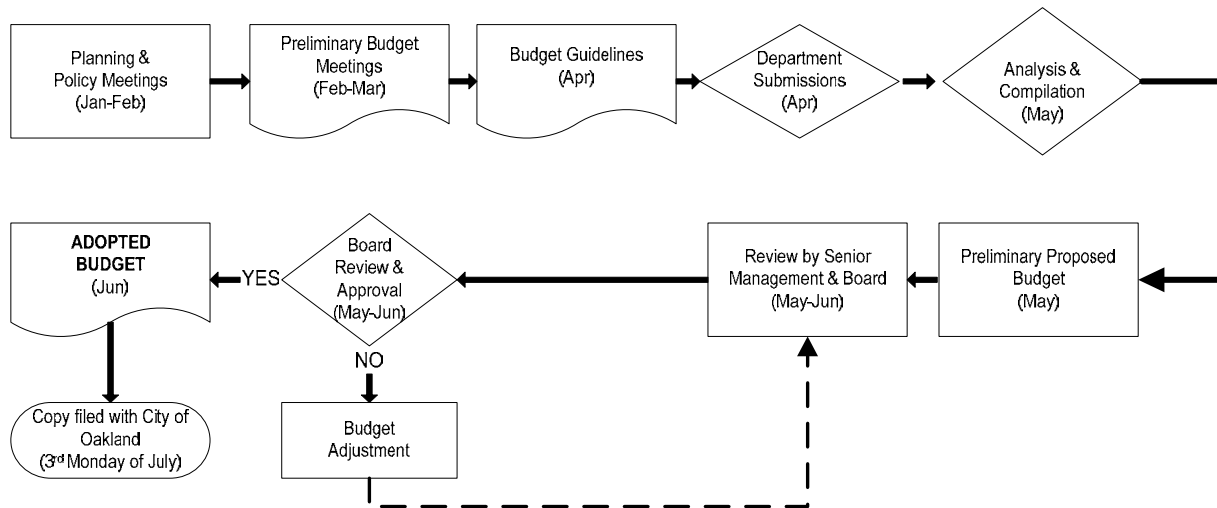
- Port Operating Reserve Fund – 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) – established at \$30.0 million.
- Capital Reserve Fund – established at \$15.0 million.

Financial Reporting Policies

- Include Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flow in financial reporting.
- Prepare financial statements in accordance with accounting principles generally accepted in the United States of America, as promulgated by GASB.
- Adopted GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, for financial reporting beginning Fiscal Year ended June 30, 2002.
- The Port is a department, and accounted for as a public enterprise fund, of the City and its year-end financial reports are included in the City's Comprehensive Annual Financial Report.
- Produce fully allocated income statements by business line for annual variance reporting.
- Conduct an annual independent external audit in accordance with generally accepted auditing standards.
- Include an annual management letter prepared by external auditors for management and the Board.
- Adopted GASB Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, beginning Fiscal Year ending June 30, 2008.
- Adopted GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, beginning Fiscal Year ending June 30, 2009.

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OPERATING BUDGET PROCESS



The Port's operating budget is an essential and major component in the Port's overall planning and management process. The operating budget is a plan for each division's operating revenue and expenses and for Port-wide non-operating income and expenses.

Preliminary budget policies are determined early in the cycle by executive management. Preliminary budget meetings provide the opportunity for discussion and review of new programs, and proposed increases in revenue and expenses, as well as operational needs. Budget instructions, forms and worksheets based upon the outcome of these meetings are distributed in April to all divisions and departments responsible for budget preparation. The primary responsibility for budget preparation rests with the division directors and each division is responsible for presenting a seasonally-adjusted proposed budget. The Financial Services Division ensures consistency in budget submissions and compiles the proposed budgets.

A three-year operating budget is presented to the Board, which adopts the upcoming year's operating budget. The subsequent years' operating budgets are provided in concept only. The final budget is adopted through resolution of the Board. Copies of the adopted budget are provided to various City officials in accordance with the City Charter. The operating budget may only be amended by a resolution of the Board.

During the fiscal year, monthly variance reports are produced comparing actual monthly results to seasonally-adjusted monthly budgets.

OPERATING BUDGET HIGHLIGHTS AND ASSUMPTIONS

OBJECTIVES

- Develop a balanced budget in which total revenues exceed total expenditures.
- Develop an operating budget that strives to achieve an Intermediate Lien debt service coverage ratio⁽¹⁾ (DSCR) of at least 1.32x.
- Maintain a minimum General Fund cash balance at the end of the fiscal year of at least \$85 million.
- No layoffs.
- No furloughs.

GENERAL

- FY 2012-14 Operating Revenues for Aviation, Maritime and Commercial Real Estate (CRE) and Utilities are based on divisional input incorporating known market and competitive factors, existing contracts, viability of outstanding agreements, and the execution of anticipated future contracts.
- FY 2012 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on reducing contractual services, supplies and general and administrative costs in aggregate by \$4.2 million compared to FY 2011 Budget and negotiating \$3.3 million of Labor adjustments.
- FY 2013 and FY 2014 Operating Expense incorporate known and anticipated cost increases and decreases.

FY 2012 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2011 Budget, unless otherwise noted.

- Port-wide Operating Revenues of \$296.6 million are \$5.0 million or 1.8% higher than FY 2011 anticipated actuals; \$14.7 million or 5.2% higher compared to FY 2011 Budget.
- Aviation Revenues of \$135.7 million are \$6.7 million or 5.2% higher compared to FY 2011 Budget; Aviation Revenues for FY 2011 are anticipated to meet budget.
 - Enplanements projected to be 4.76 million or flat compared to FY 2011 Budget.
 - Parking Revenues increase by \$0.5 million or 2.2%.
 - Cargo-related rental revenues increases included in certain signed contracts of \$3.6 million.
- Maritime Revenues of \$141.9 million are \$1.8 million or 1.3% lower than FY 2011 anticipated actuals; Maritime Revenues for FY 2011 are anticipated to be \$9.7 million higher than FY 2011 Budget. In comparison to FY 2011 Budget, Maritime Revenues for FY 2012 of \$141.9 million are \$7.9 million or 5.9% higher.
 - Full TEU growth rate is 3% higher than FY 2011 anticipated actuals (or 4% higher compared to FY 2011 Budget).
 - \$2.7 million increase in Ports America lease pursuant to signed contract.
 - Changes in container activity among terminals results in a net \$1.8 million decrease in projected revenues compared to FY 2011 anticipated actuals.

⁽¹⁾ Intermediate Lien DSCR is Net Revenues (as defined in the Bond Indentures) divided by net debt service on Senior and Intermediate Lien Bonds and DBW Loan.

- Space assignment and truck parking revenues is \$0.7 million or 7% lower than FY 2011 anticipated actuals (\$0.9 million or 11% higher compared to FY 2011 Budget).
- BNSF lease at OIG is assumed to be extended at existing lease rate terms for one year.
- Inland Point Intermodal (IPI) Incentive Program of \$2 million for ocean carriers.
- CRE Revenues of \$11.4 million are \$0.5 million or 4.3% higher compared to FY 2011 Budget; CRE Revenues for FY 2011 are anticipated to meet budget.
 - Parking revenues and percentage rent consistent with FY 2011 Budget.
 - Assumed close of escrow on Oak-to-Ninth project by January 1, 2012.
- Utilities Revenues of \$8 million is \$0.3 million or 3.9% lower compared to FY 2011 Budget.
 - Electricity revenues anticipated to increase modestly due to ships utilizing shore power; offset by one-time capacity management charges for the new FAA tower that were recognized in FY 2011.

FY 2012 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2011 Budget, unless otherwise noted.

- Port-wide Operating Expenses before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets are flat compared to FY 2011 Budget.
- Port-wide Operating Expenses before Depreciation and Amortization are lower by \$1.3 million or 0.8%.
- Personnel costs is higher by \$4.5 million or 5.6%; Personnel costs represent 51% of the Operating Expense Budget before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets.
 - 474 Full-time Equivalents (FTEs); currently 467 FTEs.
 - No layoffs.
 - No furloughs.
 - CalPERS employer pension contribution rate increase from 19.9% to 23.6%, resulting in a \$2.6 million or 27% increase.
 - Post retirement benefits (retiree medical costs or "OPEB") increase by \$1.3 million or 13% based on an updated actuarial study, using January 2011 data.
 - Workers' Compensation expense increase by \$0.6 million or 57% based on an updated Workers' Compensation actuarial study, using March 2011 data.
 - Medical premiums assumed to increase 10% on January 1, 2012, resulting in \$0.9 million increase.
 - \$3.3 million of Labor adjustments negotiated and realized¹.
 - Vacancy factor of, on average 15 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of \$2.25 million.

¹ The SEIU and WCE contracts expire on June 30, 2011. The Local 21 contract calls for a wage re-opener for FY 2012. The IBEW contract expires on December 31, 2011.

- Significant Decreases in Non-Personnel Operating Expenses.
 - Middle Harbor Shoreline Park costs decrease by \$0.35 million or 35% due to full year of new management contracts in place. Compared to FY 2010, costs are 61% lower.
 - Electricity for Port use decreases by \$1.0 million due to forward utility rate contracts.
 - Absorption of Labor and Overhead to Capital Assets higher by \$1.5 million; that is the amount of Port salaries and overhead which is allocated to the capital budget (not included in operating budget) increase due to higher personnel costs and capital expenditures. See “5-Year Capital Needs Assessment”, page E-1.
- Significant Increases in Non-Personnel Operating Expenses.
 - Increased sewer and utility substation maintenance cost of \$0.3 million due to regulatory changes.
 - Maintenance dredging increase by \$0.2 million or 10% due to regulatory requirements impacting FY 2011-13.

FY 2012 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2011 Budget, unless otherwise noted.

- Interest income of \$2.5 million is lower by 54% due to low interest rate environment and changes in treatment of accounting accruals associated with bond premiums. Interest earnings rate on Port funds assumed to be 0.2 – 1.2%.
- Interest expense of \$70.5 million, which includes letter of credit fees and accounting accruals, is lower by \$6.0 million, or 8% due to repayment of bond principal and changes in treatment of accounting accruals associated with bond premium.
 - The Port’s revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 3.25% to 5.875%.
 - The Port’s Commercial Paper (CP) Program has a maximum rate of 12%. The Port assumes a 0.3% interest rate for its outstanding CP notes.
- Passenger Facility Charges (PFC) revenue of \$19.9 million is virtually unchanged compared to FY 2011 Budget, reflecting the relatively flat projected enplanement growth rate for FY 2012. PFCs are approved by the FAA and used to fund eligible capital improvement for specific projects at OAK. See “Capital Project Funding Sources – Passenger Facility Charges,” page E-12.
- Customer Facility Charges (CFC) revenue of \$4.8 million is 14.1% higher compared to FY 2011 Budget (or 1.5% higher than FY 2011 anticipated actuals). CFCs are used to reimburse rental car and shuttle bus operating costs and to fund improvements of the rental car facility at OAK. See “Capital Project Funding Sources – Customer Facility Charges,” page E-13.
- Other income (expense) reflects the one-time gain of \$12.7 million on the sale of Oak-to-Ninth partially offset by payments to the City for general services and Lake Merritt maintenance of \$2.2 million, \$0.6 million in retroactive CalPERS retirement contribution for airport servicemen, \$0.8 million for demolition of Building L-142 at North Field and \$0.4 million for the transfer of ownership of Damon Slough.
- Loss on abandoned and demolished assets budgeted at \$0.3 million annually.

- Grants from government agencies include anticipated AIP grants and Maritime grants for reimbursement of certain capital expenditures. See “Capital Project Funding Sources”, pages E12 and E13.

FY 2013 and 2014 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

FY 2013

- Port-wide Operating Revenues of \$314.3 million is \$17.7 million or 6% higher compared to FY 2012 Budget.
- Aviation Revenues increase by \$10.8 million or 8% compared to FY 2012 Budget.
 - Enplanements anticipated to increase 2.25% compared to FY 2012 Budget.
 - Cargo related rental revenue increases included in certain signed contracts of \$2.5 million.
 - Rates and charges true-up adjustments.
- Maritime Revenues increase by \$5.8 million or 4% compared to FY 2012 Budget.
 - Full TEU growth rate of 3.5% compared to FY 2012 Budget.
 - \$2.7 million increase in Ports America lease pursuant to signed contract.
 - Rate increase at most terminals pursuant to lease terms.
 - \$0.3 million increase in space assignment revenues resulting from anticipated tariff increase.
 - New long-term lease anticipated for OIG with terms and conditions similar to current lease.
 - IPI Incentive Program continues.
- CRE Revenues of \$11.6 million increase by \$0.2 million or 2% compared to FY 2012 Budget.
 - Increase in percentage rent projections.
 - Rental adjustments.
- Utilities Revenues of \$8.9 million is \$0.9 million or 11% higher compared to FY 2012 Budget.
 - 3% increase for gas and water revenues.
 - Additional electricity revenues from anticipated increase in shore power use.

FY 2014

- Port-wide Operating Revenues of \$321.2 million is \$6.9 million or 2.2% higher compared to FY 2013 Projected.
- Aviation Revenues decrease \$1.0 million or 1.0% compared to FY 2013 Projected.
 - Enplanements anticipated to increase 2.25% over FY 2013 Projected.
 - Reflects no rates and charges true-up adjustments.
- Maritime Revenues increase by \$5.9 million or 4% compared to FY 2013 Projected.
 - Full TEU growth rate of 3.5% compared to FY 2013 Projected.
 - \$0.7 million increase in Ports America lease pursuant to signed contract.
 - No IPI Incentive Program anticipated.
 - Full year impact of anticipated tariff increase at certain terminals.

- New lease for Berths 25-26 marine terminal anticipated with terms and conditions similar to current lease.
- CRE Revenues of \$12.3 million increase by \$0.7 million or 6% compared to FY 2013 Projected.
 - Adjust certain below-market leases up to market rents primarily in the Business Park.
- Utilities Revenues of \$10.3 million is \$1.4 million or 15% higher than FY 2013 Projected.
 - 3% increase for gas and water revenues.
 - Additional electricity revenues from assumed increase in shore power use.

FY 2013 AND 2014 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets assumed to increase 2.6% and 4.3%, in FY 2013 and FY 2014, respectively.
- Personnel costs
 - FTEs increasing to 480 FTEs by FY 2014 (additional 6 FTEs from FY 2012 Budget).
 - No layoffs.
 - No furloughs.
 - Medical premiums assumed to grow at 8.75% and 7.75% in FY 2013 and FY 2014, respectively, based on recent OPEB actuarial study.
 - CalPERS employer pension contribution rate assumed to be 24.9% and 28.4% based on CalPERS projections as provided to the Port (a 6% and 14% increase in FY 2013 and FY 2014, respectively).
 - \$5.6 million of Labor adjustments negotiated and realized in FY 2013 and FY 2014 each.
 - Vacancy factor of, on average, 13 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of \$2 million.
- Non-Personnel costs are assumed to grow in aggregate at 3% per annum.
- Utilities Cost of Sales increases proportional to increased usage.

FY 2013 AND 2014 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is higher as interest earnings rate assumed to increase to 0.7% – 1.7% and 1.2% – 2.2%, respectively, in FY 2013 and FY 2014.
- Interest expense increases as interest rate on Port's outstanding Commercial Paper Notes assumed to increase to 0.3% – 1.3% and 0.8% – 1.8%, respectively in FY 2013 and FY 2014 and outstanding debt increases based on 5-Year Capital Needs Assessment, See Section E, "Capital Budget and Capital Needs Assessment."
- PFC's increase at rate of projected enplanement growth rate of 2.25% in FY 2013 and 2.25% in FY 2014.
- CFC's increase at rate of projected enplanement growth rate of 2.25% in FY 2013 and 2.25% in FY 2014.

- Other income (expense) reflects payments to the City of Oakland for general services and Lake Merritt maintenance of approximately \$2.2 million and \$0.7 million in retroactive CalPERS retirement contributions for airport servicemen for both FY 2013 and FY 2014.
- Loss on abandoned and demolished assets budgeted at \$0.3 million annually.
- Grants from Government Agencies include anticipated AIP grants and Maritime grants for reimbursement of certain capital expenditures and is based on 5-year Capital Needs Assessment. See "Capital Project Funding Sources", pages E12 and E13.

DEPRECIATION AND AMORTIZATION

The budget for Depreciation and Amortization reflects the anticipated rate of depreciation on the existing asset base and additions to the asset base based on anticipated in-service date and life expectancy of capital projects.

PRELIMINARY DEBT SERVICE AND DEBT SERVICE COVERAGE RATIO

- Debt Service is scheduled to increase \$7.3 million in FY 2012 compared to FY 2011.
- The Port's scheduled bond debt service payments, anticipated interest payments on its outstanding CP Notes, as well as projected debt service associated with new borrowings to support the Port's capital expenditures are as follows:

	FY 2011	FY 2012	FY 2013	FY 2014
Existing Bond Debt Service	105,187	113,052	114,007	114,007
Projected New Bond Debt Service ¹	0	0	2,783	7,648
DBW Loan	458	457	457	457
CP Interest ²	867	333	929	1,624
Total Debt Service	106,513	113,842	118,176	123,736
Less: Pledged Funds ³	n/a	621	n/a	n/a
Total Net Debt Service	106,513	113,221	118,176	123,736
Intermediate Lien DSCR ⁴	n/a	1.32x	1.40x	1.35x
Combined DSCR ⁵	n/a	1.31x	1.39x	1.33x

¹ In FY 2013, it is assumed that \$106 million of the Port's outstanding CP Notes is taken out with bonds in order to free-up CP capacity and lock in long-term interest rates.

² CP Notes outstanding balance fluctuates between \$87-\$150 million and interest rate assumed to be 0.3% - 1.8%.

³ Unspent Series M Bond proceeds is being pledged toward debt service.

⁴ Intermediate Lien DSCR is Net Revenues (as defined in the Bond Indentures) divided by net debt service on Senior and Intermediate Lien Bonds and DBW Loan.

⁵ Combined DSCR is Net Revenues (as defined in the Indentures) divided by net debt service on Senior and Intermediate Lien Bonds, DBW Loan and CP Notes interest.

CHANGE IN PORT EQUITY AND CHANGE IN NET ASSETS

The projected Change in Port Equity for FY 2012 is a positive \$7.6 million, compared to negative \$14.5 million for FY 2011 Budget. The projected Change in Net Assets for FY 2012 is a positive \$33.5 million, an increase of \$16.8 million compared to FY 2011 Budget.

The projected Change in Port Equity for FY 2013 and FY 2014 is \$8.4 million and \$6.7 million, respectively.

The projected Change in Net Assets for FY 2013 and FY 2014 is \$33.0 million and \$46.8 million, respectively.

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 THROUGH 2014
(In \$Thousands)

Division	Actual 2009-10	Budget 2010-11	Proposed Budget 2011-12	Projected 2012-13	Projected 2013-14	Variance 2012P vs. 2011B	% Variance 2012P vs. 2011B
Operating Revenue							
Aviation	\$ 126,593	\$ 129,019	\$ 135,699	\$ 146,489	\$ 145,473	\$ 6,680	5.2%
Maritime	139,029	134,011	141,864	147,700	153,564	7,853	5.9%
CRE	11,485	10,932	11,398	11,597	12,305	466	4.3%
Utilities	8,118	8,360	8,035	8,912	10,285	(325)	-3.9%
Bad Debt Reserve	0	(421)	(426)	(426)	(426)	(5)	-1.2%
Total Operating Revenue	285,225	281,902	296,570	314,273	321,202	14,668	5.2%
Operating Expenses							
Administration	(61)	0	(258)	(266)	(279)	(258)	n/a
Aviation	(72,706)	(74,197)	(74,954)	(77,376)	(80,366)	(757)	-1.0%
Maritime	(16,770)	(18,090)	(17,576)	(18,450)	(19,211)	513	2.8%
Commercial Real Estate	(6,339)	(6,532)	(6,291)	(6,484)	(6,704)	241	3.7%
Corporate Administrative Services	(3,583)	(4,187)	(3,114)	(3,218)	(3,356)	1,073	25.6%
Information Technology	(2,878)	(3,418)	(3,560)	(3,674)	(3,822)	(141)	-4.1%
Engineering	(8,061)	(9,214)	(10,479)	(10,960)	(11,428)	(1,265)	-13.7%
Environmental Programs & Planning	(2,671)	(2,609)	(2,758)	(2,849)	(2,975)	(150)	-5.7%
Utilities Cost of Sales	(4,497)	(4,818)	(4,482)	(5,176)	(6,023)	336	7.0%
Social Responsibility	(1,559)	(1,661)	(1,814)	(1,872)	(1,956)	(153)	-9.2%
External Affairs	0	0	(2,350)	(2,425)	(2,523)	(2,350)	n/a
Executive Office	(1,395)	(1,471)	(1,207)	(1,245)	(1,295)	264	17.9%
Board of Port Commissioners	(447)	(471)	(540)	(557)	(580)	(69)	-14.7%
Office of Audit Services	(1,131)	(1,170)	(1,268)	(1,309)	(1,370)	(98)	-8.4%
Port Attorney's Office	(3,911)	(4,478)	(4,371)	(4,510)	(4,695)	107	2.4%
Financial Services	(5,075)	(4,867)	(5,150)	(5,368)	(5,573)	(283)	-5.8%
Non-Departmental Expenses	(30,982)	(28,927)	(26,103)	(24,907)	(25,769)	2,824	9.8%
Absorption of Labor & Overhead to Capital Assets	12,166	10,124	11,585	12,073	11,938	1,461	14.4%
Depreciation & Amortization	(98,810)	(102,085)	(99,323)	(100,191)	(100,654)	2,762	2.7%
Total Operating Expenses	(248,709)	(258,070)	(254,014)	(258,764)	(266,641)	4,056	1.6%
Operating Income (A)	36,516	23,832	42,556	55,509	54,561	18,724	78.6%
Non-Operating Items							
Interest Income	8,570	5,443	2,488	3,660	4,862	(2,955)	-54.3%
Interest Expense	(82,676)	(76,426)	(70,458)	(72,795)	(75,260)	5,968	7.8%
Passenger Facility Charges (PFC's)	19,702	19,881	19,934	20,382	20,841	53	0.3%
Customer Facility Charges (CFC's)	4,530	4,177	4,764	4,871	4,981	587	14.1%
Abandoned Capital Assets	(358)	(300)	(300)	(300)	(300)	0	0.0%
Other Income (Expenses)	(5,847)	8,857	8,629	(2,893)	(2,985)	(228)	-2.6%
(B)	(56,079)	(38,368)	(34,943)	(47,075)	(47,861)	3,425	8.9%
Capital Contributions							
Grants from Government Agencies (C)	21,343	31,218	25,891	24,613	40,097	(5,327)	-17.1%
CHANGE IN NET ASSETS (A+B+C)	\$ 1,780	\$ 16,682	\$ 33,504	\$ 33,047	\$ 46,797	\$ 16,823	100.8%
Net Assets, Beginning of the Year	889,206	890,986	907,668	941,172	974,220	16,682	1.9%
Net Assets, End of the Year	\$ 890,986	\$ 907,668	\$ 941,172	\$ 974,220	\$ 1,021,016	\$ 33,504	3.7%
Change in Port Equity (A+B)	\$ (19,563)	\$ (14,536)	\$ 7,613	\$ 8,434	\$ 6,700	\$ 22,149	152.4%
Change in Port Equity before PFC's and remaining CFC's	\$ (39,735)	\$ (34,724)	\$ (12,767)	\$ (12,032)	\$ (14,212)	\$ 21,957	63.2%
Senior Lien Debt Service Coverage Ratio	1.76	2.03	1.99	2.10	2.29		
Intermediate Lien Debt Service Coverage Ratio	1.42	1.28	1.32	1.40	1.35		
Combined Debt Service Coverage Ratio	1.42	1.27	1.31	1.39	1.33		
Operating Ratio	52.6%	55.3%	52.2%	50.5%	51.7%		
Funded FTE's (Full-Time Equivalent)	446.5	465	474	477	480		

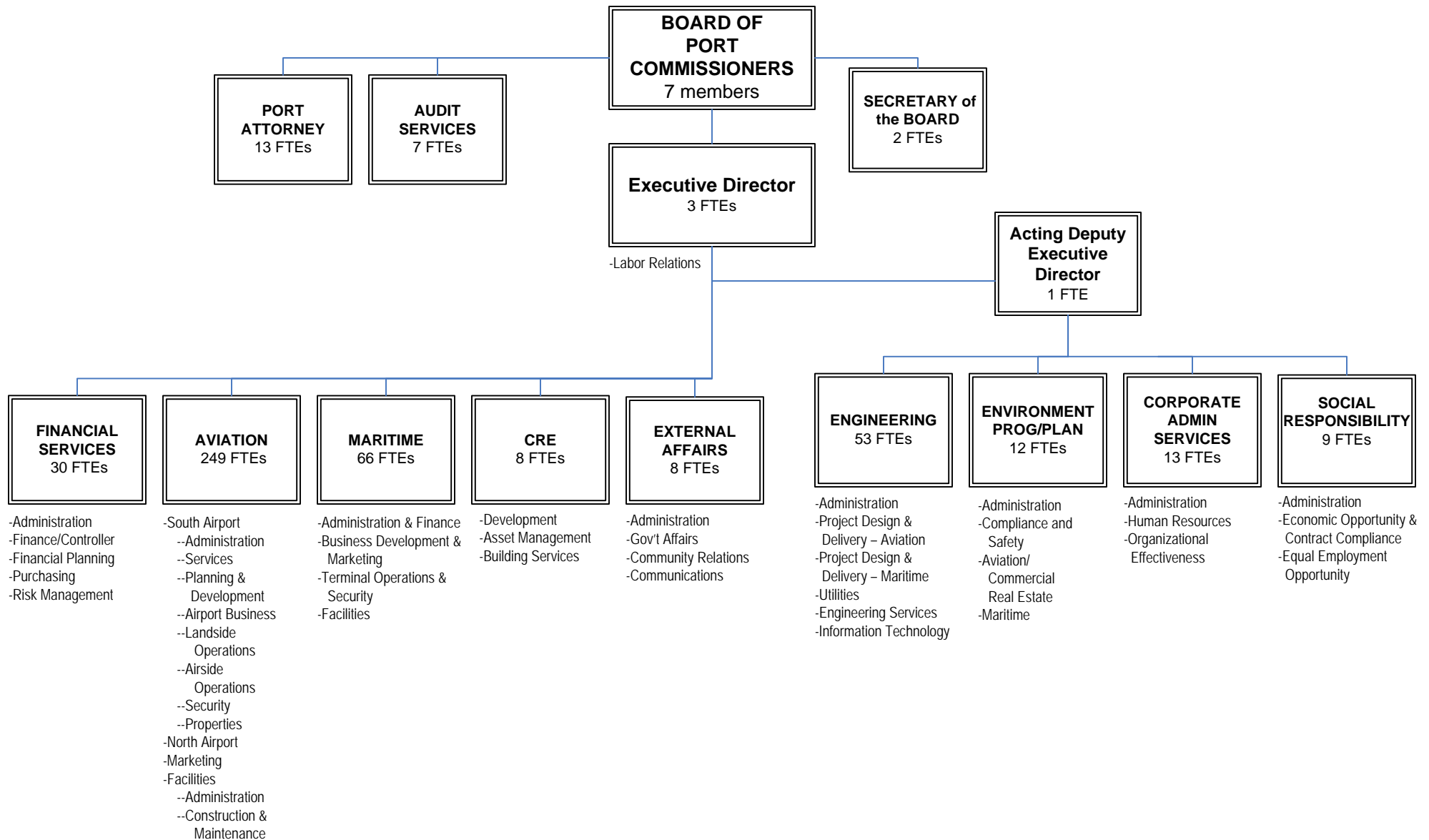
STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDING JUNE 30, 2010 THROUGH 2014
(In \$Thousands)

						Variance	% Variance
Operating Expenses	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14	2012 B vs. 2011 B	2012 B vs. 2011 B
Personnel Services	(81,813)	(80,061)	(84,572)	(85,442)	(89,515)	(4,511)	-5.6%
Contractual Services	(53,037)	(58,892)	(56,324)	(58,503)	(60,217)	2,569	4.4%
Supplies	(3,500)	(3,308)	(3,214)	(3,310)	(3,409)	95	2.9%
General & Administrative	(18,062)	(19,484)	(17,962)	(18,501)	(19,056)	1,522	7.8%
Utilities	(4,497)	(4,818)	(4,482)	(5,176)	(6,023)	336	7.0%
Departmental Credits	11,008	10,579	11,862	12,359	12,233	1,283	12.1%
Depreciation & Amortization	(98,810)	(102,085)	(99,323)	(100,191)	(100,654)	2,762	2.7%
Total Operating Expenses	(248,709)	(258,070)	(254,014)	(258,764)	(266,641)	4,056	1.6%

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2011-12

474 Funded FTEs (Full-Time Equivalents)



STAFF SUMMARY

Since FY 2008, the Port has reduced its FTEs by approximately 30% to address the severe downturn in the economy. The FY 2011 Budget reflected 465 funded positions.

During FY 2011, the Port completed a five-year Strategic Plan and determined it needed to add two key senior level positions to implement the initiatives set forth in the Strategic Plan. This effectively raised the FY 2011 FTEs to 467. In addition, the Port created an External Affairs Division, added a Labor Relations Department, moved the Information Technology Department from Financial Services to Engineering, and realigned the Executive Office, Corporate Administrative Services, and Social Responsibility Divisions. The divisional and departmental reorganizations kept the FTEs at 467.

For FY 2012, the Port is budgeting for the addition of seven FTEs including a full-time Deputy Executive Director and Director of Engineering to fulfill the objectives of the Port's FY 2012 Budget. The FY 2012 Budget reflects 474 FTEs.

In FY 2012, the Port will be re-evaluating its organizational structure ("Organizational Re-alignment"). At this time, no assumptions can be made with respect to what changes to the Port's organizational structure, if any, are to be made as a result of the Organizational Re-alignment efforts.

STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Unaudited 2009-10 ¹	Adjusted ² Budget 2010-11	Funded ³ 2011-12
FTEs			
Administration ⁴	0.5	0	1
Aviation	238	249	249
Maritime	62.5	65	66
Commercial Real Estate	8	8	8
Corporate Administrative Services ⁵	16.5	14	13
Engineering	37	38	41
Information Technology ⁶	12	12	12
Environmental Programs & Planning	12	12	12
External Affairs ⁷	n/a	8	8
Social Responsibility ⁸	7	8	9
Board of Port Commissioners	2	2	2
Executive Office ⁹	4	3	3
Audit Services	7	7	7
Port Attorney ¹⁰	13	13	13
Financial Services	27	29	30
Total FTEs	446.5	467	474

¹ Represents FTE positions that were filled as of June 30, 2010.

² See Notes 4-9 below.

³ 3 FTEs are limited duration appointments

⁴ Deputy Executive Director.

⁵ Added Director of Administration, transferred Port Assistant Management Analyst from SRD, transferred Equal Opportunity Department to SRD, and transferred Media Public Relations Department to External Affairs.

⁶ Transferred Executive Assistant to External Affairs (shared with CRE).

⁷ Added Director of External Affairs, transferred Media Public Relations Department from CAS, transferred Government Affairs Department from Executive, transferred 1 FTE from Community Relations from SRD, and transferred 1 Executive Assistant from IT.

⁸ Transferred Equal Opportunity Department from CAS, transferred 1 FTE in Community Relations to External Affairs, and transferred 1 Port Assistant Management Analyst to CAS.

⁹ Transferred Government Affairs Department to External Affairs Division and added Labor Relations Advisor.

¹⁰ Transferred 1 FTE to Executive Office.

PERSONNEL SERVICES BY DIVISION¹

(\$ THOUSANDS)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Administration ²	61	0	251	260	272
Aviation	32,542	32,749	34,546	35,756	37,497
Maritime	9,968	10,296	11,281	11,662	12,220
Commercial Real Estate	1,397	1,270	1,360	1,406	1,474
Corporate Administrative Services	2,834	2,979	2,519	2,605	2,724
Engineering	6,818	6,383	7,449	7,699	8,070
Information Technology	1,833	1,918	2,086	2,156	2,258
Environmental Programs & Planning	2,225	1,964	2,122	2,194	2,300
External Affairs	0	0	1,361	1,407	1,474
Social Responsibility	1,342	1,228	1,505	1,555	1,629
Board of Port Commissioners	259	252	337	348	365
Executive Office	869	849	767	791	828
Audit Services	1,106	1,131	1,231	1,271	1,331
Port Attorney	2,645	2,714	2,716	2,805	2,939
Financial Services	4,371	4,109	4,470	4,620	4,844
Non-Departmental	13,572	12,219	10,571	8,909	9,291
TOTAL PERSONNEL SERVICES	81,813	80,061	84,572	85,442	89,515
% Change from Prior Year		-2.1%	5.6%	1.0%	4.8%

¹ Mainly consist of salaries, fringe benefits, retiree medical costs, workers' compensation, overtime, temporary help, professional development, continuing education, training, college tuition program, meal allowance, unemployment insurance and vacation/sick leave accrual.

² Deputy Executive Director.

SALARIES AND FRINGES BY DIVISION¹

(\$ THOUSANDS)

	Budget FY 2010-11			Budget FY 2011-12		
	Salaries	Fringes	Total	Salaries	Fringes	Total
Administration ²	0	0	0	180	71	251
Aviation	21,599	10,613	32,212	22,199	12,219	34,418
Maritime	6,917	3,267	10,184	7,347	3,823	11,170
Commercial Real Estate	871	398	1,269	903	454	1,357
Corporate Administrative Services	1,652	793	2,445	1,313	687	1,999
Engineering	4,341	2,007	6,348	4,922	2,493	7,415
Information Technology	1,223	599	1,822	1,322	678	2,001
Environmental Programs & Planning	1,330	631	1,961	1,390	724	2,114
External Affairs	0	0	0	904	430	1,334
Social Responsibility	836	371	1,208	956	475	1,432
Board of Port Commissioners	176	76	252	230	104	334
Executive Office	593	256	849	526	241	767
Audit Services	789	341	1,131	831	400	1,231
Port Attorney	1,884	806	2,690	1,819	872	2,692
Financial Services	2,801	1,275	4,076	2,944	1,472	4,416
Non-Departmental ³	0	0	0	(1,500)	(2,250)	(3,750)
TOTAL	45,012	21,434	66,446	46,285	22,894	69,179
Funded FTEs			465			474

¹ Salaries and Fringes for FY 2011-12 Budget reflect an increase of \$2.7 million or 4.1% compared to FY 2011 Budget. Salaries include merit pay, step increases, and overtime pay. Fringes include Employer CalPERS, Employee CalPERS paid by the Port, health insurance, life insurance, disability insurance, vision and dental costs, employee assistance, and Medicare payments.

² Deputy Executive Director.

³ Non-Departmental includes assumed salary and fringe savings resulting from vacancy factor and a portion of labor adjustments. When these adjustments are known, actual savings will be applied to divisions.

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Aviation Division



Aviation Division Area Map



AVIATION DIVISION

FUNCTION

The Aviation Division provides the finest quality air transportation facilities for the use of its tenants and the traveling public while maximizing OAK economic impact for the City and the surrounding region.

DEPARTMENT FUNCTIONS

SOUTH AIRPORT

South Airport manages the OAK and the following operational areas:

- **Aviation Administration** plans, organizes and directs airport operations pursuant to Port rules, policies and applicable federal and state regulations.
- **Administrative Services** directs human resource management/training, procurement, risk management and insurance, communications, and information technology.
- **Aviation Planning and Development** evaluates and identifies future airport operating requirements, develops facility plans and capital improvements as well as funding programs to meet those needs, and manages all approved aviation capital projects in an effort to achieve scope, schedule and budget objectives.
- **Airport Business** prepares Aviation Division's revenue and expense budgets, passenger airline operations and financial forecasts, strategizes ways to enhance non-aviation revenue, manages related special projects, and manages airport parking and bus shuttle services.
- **Landside Operations** coordinates the maintenance and improvement of airport access roads, walkways and grounds, and manages ground transportation required for support, safety and security of passenger and visitor activities in the terminal complex. Landside interacts with airlines for space requirements and ensures that terminal facilities serve airport customer needs.
- **Airside Operations** provides airport safety, security, crash, fire and emergency medical services and monitors programs to reduce airport noise levels with computerized tracking systems. Staff inspects and maintains the airport's operational facilities to ensure compliance with prescribed FAA standards.
- **Airport Security** administers security, which includes training, support and the issuance of identification badges, and develops contingency plans for emergencies at OAK. This includes administering contracts with outside agencies to provide security patrolling and related functions, and closely coordinates with the TSA on terminal security matters and operation of the terminal security checkpoints.
- **Airport Properties** manages the leasing, acquisition and disposition of aviation properties, including all commercial airline agreements, principal land and building leases, in-terminal concession and rental car agreements, as well as other agreements with fixed base operators, the airline fuel consortium, aircraft ground handlers and cargo operators.

AVIATION MARKETING

Aviation Marketing develops and manages programs designed to promote OAK to the general public, local communities, passenger and cargo airlines, travel agents and commercial travel departments to

establish the City as the preferred airport for traveling passengers and air cargo carriers. This department also promotes OAK to commercial airlines that are considering San Francisco Bay Area service.

AVIATION FACILITIES

Aviation Facilities performs ongoing maintenance, repair and construction of airport facilities and physical plant components.

- **Aviation Facilities Administration** manages and coordinates Aviation Facilities' activity, administers small public works contracts and provides technical and administrative program support.
- **Construction and Maintenance** maintains building exteriors, landscaping, pavement, drainage, fences, dikes and the interior of the airport terminals which includes electrical, lighting, heating, ventilating and air conditioning systems, baggage handling systems, elevators, escalators and passenger loading bridges.

ACTIVITY LEVELS

(Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Enplaned Passenger Traffic	4,777	4,746	4,764	4,871	4,981
% Growth	-3.6%	-0.65%	0.38%	2.25%	2.25%
Landing Weight	8,830,255	8,518,000	8,488,649	8,658,422	8,831,590
% Growth	-12.25%	-3.54%	-0.34%	2.00%	2.00%
Air Freight + Mail (lbs)	1,079,243	1,083,629	1,105,302	1,127,408	1,149,956
% Growth	-9.70%	0.41%	2.00%	2.00%	2.00%
Parking Volume	942	959	908	929	949
% Growth	-9.77%	1.80%	-5.32%	2.31%	2.15%
AirBART Ridership	756	769	754	771	788
% Growth	-9.57%	1.72%	-1.95%	2.25%	2.20%

AVIATION DIVISION**OPERATING REVENUE**

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Fueling Revenue	3,590	3,511	3,720	3,928	4,057
Field Revenue	29,042	29,654	29,922	29,954	28,970
Terminal Concessions	18,797	18,949	19,068	19,144	19,237
Other Terminal	5,656	6,072	6,619	7,980	7,781
Other Airport Rentals	19,777	19,810	24,364	26,651	26,879
Parking and Ground Access	28,002	28,127	28,828	29,479	30,142
Terminal Rent	21,176	22,659	22,976	29,226	28,306
Delinquency Charges	217	59	21	21	21
Miscellaneous	336	178	181	106	81
Subtotal	126,593	129,019	135,699	146,489	145,473
Bad Debt Reserve	0	(101)	(101)	(101)	(100)
TOTAL	126,593	128,919	135,598	146,388	145,373

- FY 2013-14: Terminal rent lower by \$0.9 million or 3% due to decreased rates and charges.
- FY 2012-13: Other terminal revenues higher by \$1.3 million due to increased baggage revenue (rates and charges). Other airport rentals higher due primarily to cargo related rental revenue increases of \$2.5 million as a result of rate increases included in certain signed contracts. Parking revenues increase by \$0.7 million or 2.3%. Terminal rent increases by \$6.2 million primarily due to the loss of airline credits related to prior years' true-up adjustments.
- FY 2011-12: Other terminal revenues higher by \$0.5 million due to increased customs and baggage revenues (rates and charges). Other airport rental revenue increases \$4.6 million or 30% primarily due to cargo related rental rate increases included in certain signed contracts of \$3.6 million. Parking and ground access higher by \$0.7 million.
- FY 2010-11: Field revenue increases primarily due to higher landing fees of \$1.2 million (rates and charges) partially offset by lower ground handling revenues of \$0.6 million. Other terminal revenue higher by \$0.4 million due to increased baggage revenue (rates and charges). Terminal rent increase of \$1.5 million or 7% due to increased rates and charges.

AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	32,542	32,749	34,546	35,756	37,497
Contractual Services	36,493	38,293	37,215	38,331	39,481
Supplies	2,038	1,647	1,539	1,586	1,633
General & Administrative	1,632	1,695	1,676	1,727	1,778
Dept'l (Credits) Charges	0	(188)	(22)	(23)	(24)
TOTAL	72,706	74,197	74,954	77,376	80,366
<i>Funded FTEs (headcount)</i>	<i>238</i>	<i>249</i>	<i>249</i>	<i>249</i>	<i>249</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Includes the impact of furlough/mandatory layoff days and impact of retirement program and reduction in force that occurred during FY 2009-10.

Contractual Services

- FY 2011-12: Major maintenance and runway repair costs lower by \$0.3 million; security and life related services lower by \$0.3 million.
- FY 2010-11: Alameda County Sheriff expenses higher by \$0.7 million partially mitigated by lower security and life related services. Increased major maintenance \$0.3 million and Airport Shuttle Service (AirBART & parking lot shuttle) by \$0.4 million.

Supplies

- FY 2011-12: Lower maintenance supplies partially offset by higher electrical supplies.
- FY 2010-11: Primarily lower maintenance, electrical, janitorial and mechanical supplies.

Dept'l (Credits) Charges

- FY 2011-12: Elimination of interdepartmental transfer of \$0.2 million.
- FY 2010-11: Interdepartmental transfer budgeted at \$0.2 million.

Maritime Division



Maritime Division Area map



MARITIME DIVISION

FUNCTION

To manage, promote and develop modern logistics facilities, services and programs which stimulate international business and trade; to provide increased revenue to support the overall mission of the Port; and to promote economic growth in the San Francisco Bay Area.

DEPARTMENT FUNCTIONS

The Maritime Division manages the Oakland seaport. In December 2008, the Board approved a reorganization of the Maritime Division which streamlined the functions and reorganized staff into three main areas. The Administration and Finance area works on all existing business such as current contracts and capital projects. The Business Development and Marketing area focuses on maintaining and increasing business. The Terminal Operations and Security, and Maritime Facilities (also known as Harbor Facilities) manage tenant relations, security and safety, facility and equipment maintenance, utilities and diving services.

Maritime Administration and Finance develops, coordinates and manages all Maritime Division programs in order to achieve the division's stated function, goals and objectives. The department provides general oversight and management direction for division personnel and business operations.

Specifically, the department provides:

- Administration for marine terminal agreements such as terminal pricing, contract negotiations, billing, tariff adjustments and auditing activity.
- Financial analysis and projections, including budget development and statistical data collection.
- Planning, project management and grant development for all marine terminals and related infrastructure facilities and capital projects.
- Management of Maritime air quality improvement initiatives and regulatory compliance.
- Long-term operational strategic planning for other ancillary issues that arise from the operation of the seaport including rail negotiations.

Maritime Business Development and Marketing develops, recommends and implements a broad range of targeted marketing and business development programs to address the commercial, operational, and strategic needs of the seaport and its customers while maximizing the utilization of seaport assets and services.

Specifically, the Maritime Business Development and Marketing department:

- Seeks opportunities in domestic and foreign markets; formulates and executes market entry strategies.
- Develops and maintains business relationships with ocean carriers, terminal operators, beneficial cargo owners (importers/exporters), railroads, and other supply chain partners from the local operational offices to the senior executives at global headquarters.

- Actively markets vacant land within the seaport area and manages the entire business development process from solicitation and selection of the optimum business partner to the execution of the final lease agreement.
- Identifies, targets and influences cargo flows using intermodal services and other multimodal logistics capabilities to promote Oakland as a preferred gateway to/from Asia in addition to promoting the entire U.S. West Coast through the U.S. West Coast Collaboration consisting of the six major U.S. West Coast container ports and the two western railroads.
- Coordinates maritime marketing activities to support the Port's public relations and governmental affairs efforts.
- Manages a marketing communication program that focuses on strategies to differentiate Oakland from other U.S., Canada, and Mexico gateways and grow market share.
- Coordinates overseas agency representation and supports senior level overseas trade missions.
- Fosters sister-port relationships and other international collaborative partnerships.
- Gathers and analyzes statistical data and other market intelligence.

Maritime Terminal Operations and Security is responsible for day-to-day contact with the local terminal operators and serves as the liaison between marine tenants and Port services. The wharfingers determine maintenance and repair responsibilities and coordinates with the Harbor Facilities Department by issuing work orders and assigning priorities based on tenant needs. The wharfingers also serve as the day-to-day liaison with U.S. Customs, U.S. Coast Guard, the San Francisco Bar Pilots, the Marine Exchange, and the Harbor Safety Committee, as well as other government entities. The operations area ensures that Port tariff requirements and marine terminal lease terms are enforced, and markets and manages space assignment and non-marine terminal leases. Operations is also responsible for implementation of the CTMP.

- **Security** for the Port is managed by the Port Facilities Security Officer (PFSO). The PFSO acts as a liaison between the U.S. Coast Guard, U.S. Customs and Border Protection, local law enforcement and the eight marine terminal operators with respect to security regulations and enforcement strategies. The PFSO is a member of the Northern California Area Maritime Security Committee and the Port Readiness Committee. The PFSO ensures compliance with all mandates of the Federal Maritime Transportation Security Act and United States Coast Guard Facility. The PFSO is also responsible for planning, developing and evaluating seaport security programs and public safety activities in the seaport area. In addition, the PFSO manages Port security grant programs.

Maritime Facilities, also known as the Harbor Facilities Department, is responsible for maintaining Port-owned utilities, facilities and equipment primarily in the harbor and CRE areas and to a lesser extent at OAK and the Airport Business Park. It also provides support during construction of capital projects; performs regular and preventive maintenance; administers major maintenance through the Port's annual on-call contracts; and provides first response and stabilization during emergencies and natural disasters. Following are the major functions within the department:

- **Facilities Management** plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation. It interfaces with other departments and divisions and oversees job prioritization and general day-to-day operations. Facilities Management controls and updates the facility master table for much of the Port. The group interfaces with its clients to mutually prioritize work and establish levels of service for maintenance of facilities within its areas of

responsibility. It also provides contract administration and railroad master-track inspection and coordination. Under existing agreements, Facilities Management oversees certain utility work performed by staff on the City's portion of the former OAB and prepares and sends out cost reports to Engineering's Utilities Department who bills the City as appropriate.

- **General Maintenance** performs a wide variety of maintenance services within the harbor and CRE areas. This group plans, coordinates, maintains, inspects and performs roofing, paving, building maintenance, carpentry, painting and striping, miscellaneous signage, and custodial services; and oversees landscaping/gardening/weed-abatement in the harbor and CRE areas and Airport Business Park (which is currently outsourced). The group also maintains and sweeps Port-controlled roads; provides flood response; maintains shorelines, parks, storm drains, catch basins, and sanitary sewers; and supports special events. The General Maintenance group will undertake construction activities when requested and often acts in a "general contractor" capacity, drawing on various harbor facility trades when needed.
- **Utilities Group** "operates" and maintains all Port-owned water and power distribution systems within the harbor and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. This group supports the Engineering Division in implementing major public works contracts in underground utility locations, shutdowns, temporary utilities, inspections, facility startup/turnovers, and sometimes takes the lead on certain construction requests. The group reads over 200 electric, gas and water meters. It also provides fire prevention services throughout the Port including OAK. The group also maintains approximately 50 electrical substations (including two 115kV Outer Harbor substations that feed OAB and Treasure Island), approximately 10 sewer lift stations, and provides heating, ventilation and air conditioning, security, fabrication, welding and related services. The group also maintains streetlights and assists in responding to problems with railroad crossing protection on Port-owned roads.
- **Fleet Maintenance** maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles. This group is responsible for preparation of vehicle specifications, procurement, registration, smog compliance, and disposal of surplus equipment through the Port's procurement policies for all Port equipment. The group also coordinates the operation of the Port's fossil fuel and compressed natural gas fueling stations, including leak monitoring, daily inspections and fuel procurement. The group coordinates its operations with the Port's Environmental Programs and Planning Division and conforms its operations to comply with various air quality regulations as well as the Highway Patrol bi-annual terminal inspections.
- **Diving Services** plans, coordinates, and performs inspection and repair of the Port's waterfront marine structures throughout the harbor and CRE areas and the runway light structure, tide gates and buoys at OAK. Primary work includes programmed inspection/repair of approximately 27,000 concrete piles to prevent structural failure of decks/cranes as well as pile inspection during construction. The Diving Services group is capable of providing on-call response for aircraft and ferry boat accidents in the San Francisco Bay, provides first response on waterside oil spill containment and raises/disposes of derelict vessels in coordination with the Environmental Programs and Planning Division. The group also performs miscellaneous whaler/chock, marine fender, ferry float, tide gate, and related repairs within all Port areas as requested and as time allows.
- **Crane Design and Maintenance** performs design and specification services for purchasing, upgrading, modifying, maintaining, surplus and replacing the Port's container cranes. The group also provides project management, and construction administration, and oversees construction

inspection, testing, loading, delivery, unloading and commissioning of cranes. The group is responsible for the structural integrity and major operational maintenance of Port-owned container cranes.

MARITIME DIVISION

ACTIVITY LEVELS

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Number of Deep Water Cargo Vessels	1,873	1,890	2,088	2,088	2,088
Total Loaded TEUs ¹ Handled	1,703,570	1,752,390	1,821,913	1,885,385	1,951,075
% Growth	8.75%	2.87%	3.97%	3.48%	3.48%
¹ TEU – Twenty-Foot Equivalent Unit					

- Increased activity not always proportional to revenue increase because of Minimum Annual Guarantees (MAG) and agreements.
- Activity levels assume renewal of agreements that expire in FY 2011-12 through FY 2012-14 period, as well as completion of capital projects.
- Anticipated FY 2010-11 Number of Deep Water Cargo Vessels is 2,068.
- Anticipated FY 2010-11 Total Loaded TEUs Handled is 1,769,391.

MARITIME DIVISION

OPERATING REVENUE

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Inner Harbor	10,122	9,962	10,095	10,399	10,554
Middle Harbor	71,150	68,379	72,259	74,349	77,095
7 th Street Harbor Complex	17,889	16,469	17,793	17,996	18,204
Outer Harbor	28,473	29,240	31,946	34,851	35,578
Space Assignments	9,717	8,382	9,260	9,573	9,579
Oakland International Gateway	1,678	1,579	2,511	2,532	2,554
Miscellaneous	0	0	(2,000)	(2,000)	0
Subtotal	139,029	134,011	141,864	147,700	153,564
Bad Debt Reserve	0	(250)	(250)	(250)	(250)
TOTAL	139,029	133,761	141,614	147,450	153,314

- **FY 2013-14:** Middle Harbor revenues higher by \$2.7 million due to full year impact of anticipated tariff increase and over MAG activity. Outer Harbor revenues increase of \$0.7 million due to contractual rent escalation. Berths 25-26 lease term assumed to be extended at terms and conditions similar to the current lease. 7th Street Harbor Complex revenues higher by \$0.2 million due to over MAG revenues. No IPI incentive program anticipated.
- **FY 2012-13:** Middle Harbor revenues increase by \$2.1 due to anticipated semi-annual tariff increases and over MAG activity. Outer Harbor revenues higher by \$2.9 million primarily due to contractual rent increase. New long-term lease for OIG anticipated with terms and conditions similar to current lease. Space assignment revenue gains due to anticipated tariff increases. IPI incentive program for ocean carriers.
- **FY 2011-12:** Middle Harbor and 7th Street Harbor Complex revenues increase by \$3.9 million and \$1.3 million, respectively, due to higher over MAG activities. Outer Harbor revenues increase by \$2.7 million due to contractual rent escalation. BNSF lease at OIG is assumed to extend at existing lease terms for one year. Space assignment revenues higher primarily due to increased rental and truck parking activity. IPI incentive program of \$2.0 million for ocean carriers.

MARITIME DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	9,968	10,296	11,281	11,662	12,220
Contractual Services	4,543	5,154	3,974	4,397	4,529
Supplies	1,253	1,337	1,360	1,400	1,442
General & Administrative	1,028	1,315	996	1,026	1,057
Dept'l (Credits) Charges	(22)	(13)	(34)	(35)	(36)
TOTAL	16,770	18,090	17,576	18,450	19,211
<i>Funded FTEs (headcount)</i>	<i>62.5</i>	<i>65</i>	<i>66</i>	<i>66</i>	<i>66</i>

Personnel Services

- FY 2011-12: Salaries higher by \$0.4 million due to addition of 1.0 FTE for Maritime Security Project Administrator. Cost of new FTE partially offset by elimination of consultant expenses. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program and reductions in force that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Reallocation of CTMP costs of \$0.9 million and major maintenance expenses of \$0.5 million to the 5-Year Capital Needs Assessment budget; \$0.4 million in lower costs for Middle Harbor Shoreline Park partially offset by increases of \$0.3 million for sewers (inspection, cleaning, repair), \$0.2 million for crane maintenance and \$0.2 million for electrical repairs.
- FY 2010-11: Increase in CTMP expenses of \$0.9 million compared to \$0 in 2010, higher professional consulting expenses of \$0.3 million partially mitigated by lower crane maintenance expenses of \$0.2 million and electrical repairs of \$0.4 million.

Supplies

- FY 2010-11: Increase in automobile fuel cost.

General & Administrative

- FY 2011-12: Higher reimbursement to the Port by the City related to the costs of maintaining utility system at OAB of \$0.3 million.
- FY 2010-11: Lower reimbursement to the Port by the City related to the costs of maintaining utility system at OAB of \$0.3 million.

Commercial Real Estate Division



Commercial Real Estate Division Area Map



COMMERCIAL REAL ESTATE DIVISION

FUNCTION

To care for, promote, develop and enhance the City's urban waterfront for economic benefit and public enjoyment. Our customers include:

- Businesses and individuals who manage, purchase, develop and/or lease Port land, buildings, marinas and other facilities;
- Employees and patrons of those businesses;
- Users of the public spaces such as streets, plazas, piers and promenades; and
- Other Port divisions and departments.

The CRE Division performs several major functions: marketing and managing Port assets; providing information, services and special events to the public; planning and facilitating new development on the urban waterfront; and providing building services support to all Port divisions.

OPERATING REVENUE

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Jack London Square	5,853	5,920	6,270	6,554	6,807
Embarcadero Cove	1,649	1,483	1,613	1,708	1,782
Business Park	624	650	663	655	673
Distribution Center	257	257	257	300	599
Other Areas	3,102	2,622	2,595	2,379	2,444
Subtotal	11,485	10,932	11,398	11,597	12,305
Bad Debt Reserve	0	(70)	(75)	(75)	(75)
TOTAL	11,485	10,862	11,323	11,522	12,230

Jack London Square

- FY 2011-12 through FY 2013-14: Increase in percentage rents and density adjustments (actual constructed building square footage higher than originally projected at time of ground lease signing).

Embarcadero Cove

- FY 2011-12 through FY 2013-14: Projected increase in percentage rent and rate adjustments.

Other Areas

- FY 2012-13: Lower rental income due to the anticipated close of escrow on the Oak-to-Ninth project by January 1, 2012.

COMMERCIAL REAL ESTATE DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	1,367	1,270	1,360	1,406	1,474
Contractual Services	4,618	4,801	4,537	4,674	4,814
Supplies	85	124	124	128	132
General & Administrative	425	493	430	443	456
Dept'l (Credits) Charges	(156)	(156)	(161)	(166)	(171)
TOTAL	6,339	6,532	6,291	6,484	6,704
<i>Funded FTEs (headcount)</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Lower security and life related services and Jack London Square common area maintenance of \$0.3 million.

Utilities



Utilities Area Map



Sources of Utility Revenues

- Aviation Division
- Maritime Division

UTILITIES – ENGINEERING DIVISION

FUNCTION

The Utilities Department is a unit within the Engineering Division and provides the expertise to manage the Port's utility distribution system (electrical, gas, water, sewer and telephone). It ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. The Utilities Department purchases and manages the delivery of electricity to the Port's customers at OAK and in certain Maritime areas. It also obtains renewable energy for the Port, takes measures to reduce the Port's greenhouse gas emissions due to electricity generation and promotes energy efficiency. The Utilities Department is comprised of technical and administration sections, see "Engineering Division – Utilities" on page D-4. Utility revenues and cost of sales are reported separately for budget purposes. Personnel costs, maintenance and other associated expenses of the Utilities Department are included as part of the Engineering Division budget.

UTILITIES – ENGINEERING DIVISION

REVENUE BY AREA

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
South Airport	1,849	2,269	1,707	1,499	1,544
North Airport	1,842	2,086	2,087	2,150	2,214
Marine Terminals – Retail	685	501	501	516	532
Marine Terminals – Wholesale	3,258	3,159	3,396	4,395	5,634
Commercial Real Estate	111	112	111	114	118
Oakland Army Base	373	253	233	238	244
TOTAL	8,118	8,360	8,035	8,912	10,285

REVENUE BY COMMODITY TYPE

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Electricity – Retail	779	596	596	614	632
Electricity – Wholesale	6,948	6,650	6,888	7,994	9,343
Electricity – Capacity	102	481	325	73	73
Gas	89	48	48	49	51
Telecom – Capacity	0	330	0	0	0
Water	143	128	128	132	136
Water – Capacity	0	77	0	0	0
Miscellaneous	57	50	50	50	50
TOTAL	8,118	8,360	8,035	8,912	10,285

- FY 2012-13 and 2013-14: Higher Marine Terminals-Wholesale revenues projected due to ships utilizing shore power.
- FY 2012-13: Lower revenues at South Airport due to one-time revenue gain of \$0.25 million from capacity charges at the East Apron in FY 2011-12.
- FY 2011-12: Decreased revenue at South Airport due to one-time revenue gain of \$0.8 million from capacity charges for the new FAA tower at South Airport in FY 2010-11 partially mitigated by one-time revenue gain of \$0.25 million from capacity charges at the East Apron.

UTILITIES - ENGINEERING DIVISION

COST OF SALES BY AREA

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
South Airport	994	802	647	666	686
North Airport	1,036	1,258	933	961	990
Marine Terminals – Retail	670	501	525	541	557
Marine Terminals – Wholesale	1,606	2,056	2,173	2,798	3,573
Commercial Real Estate	105	112	117	120	124
Oakland Army Base/OHIT	84	89	88	90	93
TOTAL	4,497	4,818	4,482	5,176	6,023

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Electricity – Retail	760	596	626	644	664
Electricity – Wholesale	3,589	4,045	3,681	4,350	5,173
Gas	51	49	48	49	51
Water	97	128	128	132	136
TOTAL	4,497	4,818	4,482	5,176	6,023

- FY 2012-13 and 2013-14: Marine Terminals – Wholesale costs projected higher due to increased utilization of shore power.
- FY 2011-12: Decrease cost of sales at the South and North Airport due to lower commodity costs. Marine Terminals – Wholesale increase due to short power use commencing in February 2012.
- FY 2010-11: Marine Terminals – Wholesale costs higher due to increased load at TTI Terminal.

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CORPORATE ADMINISTRATIVE SERVICES DIVISION

FUNCTION

The Corporate Administrative Services (CAS) Division provides administrative support services to internal customers – the executive, revenue and support divisions and the Board, and maintains effective partnerships with external customers – job applicants, program associates and employee organizations. These services are carried out by the departments of Administration, Human Resources, and Organizational Effectiveness.

DEPARTMENT FUNCTIONS

CAS ADMINISTRATION

CAS Administration provides the management direction and coordination of the departments and functions within the division.

HUMAN RESOURCES

The Human Resources Department is responsible for the effective delivery of employee services as required by City Civil Service Rules and Procedures, Port Personnel Rules and Procedures, Administrative Policy, the various memoranda of understanding, the City Charter, California workers' compensation laws, employment laws, and the other rules and procedures governing the Port.

The functional areas of responsibility of the Human Resources Department include the following services:

- **Payroll and Benefits** provides to the Financial Services Division all payroll information and changes; maintains benefit, salary and payroll records; administers the Deferred Compensation Program and Professional Development budget; administers the employee benefit programs, including health care, dental and vision plans, 125/129 plans, and life insurance; administers the Retiree Benefit Plan; and provides for new employee orientation program in conjunction with Personnel and Employee Services.
- **Personnel and Employee Services** administers classification, compensation, recruitment and examination systems; maintains employee records and files, including performance measurement records (Performance Incentive Program, Civil Service evaluations); maintains the staffing plan; provides for new employee orientation program; and administer temporary agency employees' function.
- **Employee and Labor Relations** administers the correct application of the four labor contracts at the Port; prepares and engages Port labor unions in negotiation of successor contracts; when appropriate, meets and confers with labor unions over changes in wages, hours and working conditions; processes and provides assistance and guidance to management in grievance handling and employee discipline matters; provides support to Port legal counsel for litigation or arbitrations arising out of contract disputes; and provides guidance and assistance to management in resolving employee relations issues.
- **Workers' Compensation** maintains and operates a self-insured, self-administered workers' compensation program in compliance with state law; provides support to the Port Attorney's Office and outside counsels; investigates and reports on suspected fraudulent claims; monitors occupational clinic services; monitors changes in workers' compensation laws; and maintains statistical information.

ORGANIZATIONAL EFFECTIVENESS

The Organizational Effectiveness Department develops and implements programs and projects in the following areas: Port-wide training for employee development (managerial and non-managerial) consistent with organizational development goals; strategic planning and internal consulting in organizational effectiveness and process improvement; administrative policies and procedures; performance management and measurement; talent management and succession planning; and college education assistance.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	2,834	2,979	2,519	2,605	2,724
Contractual Services	634	995	475	489	504
Supplies	27	38	6	6	6
General & Administrative	88	175	114	118	121
TOTAL	3,583	4,187	3,114	3,218	3,356
<i>Funded FTEs (headcount)</i>	<i>16.5</i>	<i>17</i>	<i>13</i>	<i>13</i>	<i>13</i>

Personnel Services

- FY 2011-12: Add Director of Administration, transfer 1.0 FTE from SRD, transfer Equal Opportunity Department to SRD, transfer Media Public Relations Department to External Affairs. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Primarily increased professional development costs based on budgeted FTEs entitled to receive. Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Transfer of \$0.3 million to External Affairs Division.
- FY 2010-11: Increased consulting costs for one-time human resource studies (not conducted and included in FY 2011-12).

General & Administrative

- FY 2011-12: Transfer of \$0.1 million to External Affairs Division.
- FY 2010-11: Increase in personnel recruitment expense of \$0.1 million.

ENGINEERING DIVISION

FUNCTION

The Engineering Division has multiple functions within a number of technical, scientific, and engineering disciplines. Each supports the general mission of planning, designing, constructing, delivering and maintaining Port-funded facilities and physical and information infrastructure assets. The Engineering Division is responsible for:

- Administration and effective and accountable project management of Port-funded construction contracts in support of the Port's capital and major maintenance programs.
- Management, operation, development, and maintenance of the Port's utility systems in the aviation and maritime areas, including revenue-generating systems.
- Management, operation, development, and maintenance of the Port's information technology systems, including the Enterprise Resource Planning (ERP) system.
- Administration and execution of the Port's maintenance dredging program and oversight of the Federal contracts to deepen and maintain the Inner and Outer Harbor Channels.
- Administration of land and bathymetric surveying and mapping.
- Building permits for the Port, its tenants and other landowners in Port area and code compliance support.

The Engineering Division has five departments reporting to Engineering Administration: Project Design & Delivery – Aviation, Project Design & Delivery – Maritime, Engineering Services, Utilities, and Information Technology. The Project Design & Delivery Departments focus on project management including planning, design and construction management for a particular revenue division or other Port-wide request and provide oversight on tenant improvement projects. The Engineering Services Department covers items that are both divisional and Port-wide. It has the contract administration functions for consultants and contractors as well as all other engineering support functions. The Utilities Department oversees all aspects of utility related services as well as the utility business for the Port and its tenants. The Information Technology Department oversees all aspects of information technology services and operations as well as the ERP system for the Port.

DEPARTMENT FUNCTIONS

ENGINEERING ADMINISTRATION

Engineering Administration provides the management direction, coordination, support services and systems for the division's operations. The department formulates divisional policy, assigns project work, coordinates work efforts with other Port divisions, monitors performance through the use of schedules and cost-reporting systems, and reviews and accepts completed work on behalf of the Port.

PROJECT DESIGN & DELIVERY - AVIATION

The Aviation Project Design & Delivery (APDD) Department provides engineering, project management, construction management and other technical services (cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, technical studies, etc.) to support the Port's

Aviation business. Preparation of Plans and Specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the APDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the APDD team supports the application for and implementation of outside grants/funding sources as these relate to Aviation projects.

PROJECT DESIGN & DELIVERY - MARITIME

The Maritime Project Design & Delivery (MPDD) Department provides engineering, project management, construction management and other technical services (cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, technical studies, etc.) as required to support the Port's Maritime business. Preparation of Plans and Specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the MPDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the MPDD team supports the application for and implementation of outside grants/funding sources as these relate to Maritime projects.

- **Dredging** is charged with providing water depth in the channels and berths required for safe and efficient maritime navigation at the Port. This includes the -50 Foot Project, berth maintenance dredging, and federal channel maintenance dredging.

UTILITIES

The Utilities Department manages all aspects of utility services as well as the Port's utility business, including the buying and selling of electricity, water, and gas; provides master planning on the Port's utility systems; and supports infrastructure developments. Additionally, it serves as technical liaison with the utility companies and handles business-related designs and continuity across the division. Services of the department are provided through the following sections:

- **Utilities Section** provides the technical expertise to manage the Port's utility distribution systems, including power (both gas and electricity), water, sewer and communications. It also ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. It reviews and supports tenant improvement projects as well as the Port's capital projects.
- **Utilities Administration Section** ensures that the Port is efficient in its purchase of electricity, sets electricity rates and related services, as well as manages billing, Port-use utilities accounts, and other utility financial matters. Also see "Utilities – Engineering Division" on page C-21.

ENGINEERING SERVICES

The Engineering Services Department provides a variety of engineering-related support services to the Port, Port tenants, and the public. These support services include the following:

- **Specifications** prepares the project manual that includes project specifications and bidding documents for public works projects, prepares Requests for Proposals (RFPs) for professional services contract, and prepares procurement manuals for procurement of equipment and materials in support of the Project Design and Delivery Departments. This section also works closely with SRD and the Port Attorney's Office and, at times, contractors, to ensure bidders comply with the contract provisions as well as the Port's NDSLBP.

- **Drafting** provides computer aided drafting services to the Engineering Division and others. Drafting is also responsible for the maintenance and archival of the record drawings for all Port projects after receiving the as-built drawings from the construction contractors.
- **Geomatics** (Surveys and Land Records) provides survey, mapping and land records management services to support the Port's development needs.
- **Permits** provides building permit and code compliance support for the Port, its outside tenants and other landowners within the Port area. Additionally, this section maintains permit files and records, and provides technical assistance to Port staff regarding compliance with the Americans with Disabilities Act (ADA).
- **Project Controls and Contract Administration** is responsible for tracking project budgets and schedules being executed by the Engineering Division, administering the consultant and construction contracts that are issued by the Engineering Division and assisting in the management of the MAPLA.
- **Document Control** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.

INFORMATION TECHNOLOGY

The Information Technology Department is responsible for the planning, management, operation, development, and maintenance of the Port's information technology (IT) needs (with the exception of specialized systems at OAK). The department collaborates with users to provide long term IT planning, integrates information technology into Port operations to allow Port business objectives and strategies to be met, manages resources to ensure that the Port's IT systems run efficiently with minimal downtime, and prepares contingency and disaster recovery plans.

ENGINEERING DIVISION
(EXCLUDING INFORMATION TECHNOLOGY DEPARTMENT)
OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	6,818	6,383	7,449	7,699	8,070
Contractual Services	1,280	2,746	2,921	3,149	3,243
Supplies	32	49	74	76	78
General & Administrative	67	65	65	67	69
Dept'l (Credits) Charges	(135)	(30)	(30)	(31)	(32)
TOTAL	8,061	9,214	10,479	10,960	11,428
<i>Funded FTEs (headcount)</i>	<i>37</i>	<i>38</i>	<i>41</i>	<i>41</i>	<i>41</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health Care premiums assumed to increase 10% on January 1, 2012. Addition of 1 Director of Engineering and 2 Engineers to support Shore Power Program.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Maintenance dredging increases by \$0.2 million due to regulatory requirements.
- FY 2010-11: Maintenance dredging increases by \$1.1 million due to regulation requirements and professional services related to maintenance dredging increases by \$0.3 million.

INFORMATION TECHNOLOGY DEPARTMENT

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	1,833	1,918	2,086	2,156	2,258
Contractual Services	1,005	1,446	1,426	1,469	1,513
Supplies	18	32	30	31	32
General & Administrative	22	23	18	18	19
TOTAL	2,878	3,418	3,560	3,674	3,822
<i>Funded FTEs (headcount)</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health Care premiums assumed to increase 10% on January 1, 2012. Add 1 IT Manager and transfer 1 Administrative Assistant to External Affairs Division (shared with CRE Division).
- FY 2010-11: Primarily higher temporary help related to ERP implementation. Includes impact of furlough/mandatory layoff days.

Contractual Services

- FY 2010-11: Increase in ERP and email hosting services.

Supplies

- FY 2010-11: Primarily higher expendable equipment costs.

ENVIRONMENTAL PROGRAMS AND PLANNING DIVISION

FUNCTION

The Environmental Programs and Planning Division (EP&P) has primary responsibility to promote the highest levels of environmental stewardship, and ensure environmental compliance with all federal, state, and local statutes and regulations, in all Port plans, activities, operations, and development programs and projects.

EP&P provides professional and technical leadership and support services to all Port departments and divisions to achieve the Strategic Plan goal of “sustaining healthy communities through leading edge environmental stewardship.”

DEPARTMENT FUNCTIONS

The core functional responsibilities of EP&P are:

- Environmental planning and assessment in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA)
- Regulatory permitting for Port operations and development projects (i.e. U.S. Army Corps of Engineers, Regional Water Quality Control Board, Bay Area Air Quality Control District, Bay Conservation and Development Commission, California Department of Fish and Game, Federal Aviation Administration, etc.)
- Environmental management and remediation, including surface and ground water pollution prevention; air quality planning, programs and inventories; handling, abatement and disposal of hazardous materials and waste; environmental remediation of contaminated Port property; and environmental liability insurance recovery support technical services.
- Environmental health and safety, including emergency spill response, employee injury protection and safety, Cal-OSHA compliance, and disaster preparedness and business recovery.
- Materials management of dredged materials, including disposal and beneficial reuse and handling and management, crushing, reuse and recycling of Port construction materials.

In emerging topical areas, such as global climate change, greenhouse gas regulation, sea level rise, human health risk, energy efficiency, renewable energy, sustainability, and environmental justice, the EP&P is the Port's lead division in the development and design of related plans, programs, policies, procedures and guidelines.

EP&P is currently organized into four functional areas: Administration, Compliance and Safety, Aviation/Commercial Real Estate, and Maritime.

The Administration section is chiefly responsible for division operations, including preparation of the annual business plan and budget, staffing plan, division-wide work program, and personnel-related activities, with an important focus on staff professional development and training.

The three other functional areas are chiefly responsible for providing technical environmental and safety services to the three Port business lines – Maritime, Aviation, and Commercial Real Estate - and to other internal Port clients, with a focus on the Executive Office, Port Attorney's Office, Engineering Division and Finance Division.

ENVIRONMENTAL PROGRAMS AND PLANNING DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	2,225	1,964	2,122	2,194	2,300
Contractual Services	471	676	627	646	665
Supplies	11	13	11	11	11
General & Administrative	32	23	28	29	30
Dept'l (Credits) Charges	(69)	(68)	(30)	(31)	(32)
TOTAL	2,671	2,609	2,758	2,849	2,975
<i>Funded FTEs (headcount)</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Lower consulting expenses of \$0.2 million partially offset by higher security and life safety related services of \$0.1 million.
- FY 2010-11: Primarily higher environmental consulting expense of \$0.2 million.

Dept'l (Credits) Charges

- FY 2011-12: Lower reimbursement of environmental permit fees anticipated based on historical trending.

EXTERNAL AFFAIRS DIVISION

FUNCTION

The External Affairs Division supports the mission of the Port by:

- Enhancing the quality of Port communication with all relevant stakeholders internally and externally, including employees, media, business partners, community, and government.
- Building and maintaining positive relations with partner institutions and leaders in the community.
- Maximizing grant funding and policy support from local, regional, state, federal, and international levels of government.
- Enhancing our corporate brand by ensuring consistent visual standards and unifying messages across all external and internal audiences.

To fulfill these objectives, the External Affairs Division directly communicates proactively and positively with external stakeholders while also supporting Port divisions and departments in their communications.

DEPARTMENT FUNCTIONS

EXTERNAL AFFAIRS ADMINISTRATION

External Affairs Administration works collaboratively with each functional department within the division to implement their respective goals and objectives in line with the Strategic Plan. Administration handles overall administrative functions of the division, interfaces among senior management, Board and division staff, and provides strategic direction and support.

GOVERNMENT AFFAIRS

The Government Affairs Department works with other Port divisions to develop legislative, regulatory and advocacy strategies and to establish the Port's position on legislative and regulatory proposals, all for the express purpose of supporting the Port's goals and priorities. This department takes the lead in identifying and securing other governmental agency funding for Port projects and programs. In addition, the department manages and coordinates the Port's relationships with local, regional, state and federal governments.

COMMUNITY RELATIONS

The Community Relations Department is responsible for defining, developing and administering a comprehensive community education and outreach program in support of Port projects that are most critical to the Port's mission, goals and objectives. The department plans and implements education and outreach that serve to increase awareness and understanding of the Port, its projects and policies; builds and maintains cooperative and effective working relationships through partnerships and engagement; and promotes goodwill with both internal and external stakeholders. This department carries out "good neighbor" activities through Port assistance and resources that create benefits and value to the community. In addition, the department provides strategic advice and stakeholder process development support to divisions and departments throughout the Port.

COMMUNICATIONS

The Communications Department (formerly referred to as the Media and Public Relations Department) provides timely, proactive, cost-effective and strategic communications to both internal and external stakeholders. The department's functions are designed to increase public awareness and understanding of the Port, its projects and policies. The department:

- Develops and updates communication strategies that seek to promote, protect and defend the Port's reputation;
- Handles news media relations with local, regional, national, international and trade-specific outlets;
- Produces Port events, Port presentations, and targeted advertising;
- Supports meaningful and timely employee communications; and
- Provides professional design, art, photography, publishing and related services to all Port divisions.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	n/a	n/a	1,361	1,407	1,474
Contractual Services	n/a	n/a	635	654	674
Supplies	n/a	n/a	7	7	7
General & Administrative	n/a	n/a	347	357	368
TOTAL	n/a	n/a	2,350	2,425	2,523
<i>Funded FTEs (headcount)</i>	<i>n/a</i>	<i>n/a</i>	<i>8</i>	<i>8</i>	<i>8</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Addition of 1 Director of External Affairs and transfer Media Public Relations Department from CAS Division, Government Affairs Department from Executive Office, 1.0 Community Relations FTE from SRD and Executive Assistant from IT Department (shared with CRE Division).

Contractual Services

- FY 2011-12: Transfer of Media Public Relations Department expenses from CAS Division and Government Affairs Department expenses from Executive Office; \$0.2 million increase in professional services.

General & Administrative

- FY 2011-12: Transfer of Media Public Relations Department expenses from CAS Division, Government Affairs Department expenses from Executive Office, and Community Relations related expenses from SRD.

SOCIAL RESPONSIBILITY DIVISION

FUNCTION

SRD aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community. SRD is guided by the following principles:

- Advocacy and compliance in the delivery of policies and programs that promote inclusion, fairness and equity for small, local and/or disadvantaged business participation in procurement and contracting opportunities at the Port as well as for job seekers and employees in economic and equal employment opportunities at the Port.
- Strategic collaboration and outreach with key stakeholders (Port staff, contractors, tenants, vendors and community partners and residents) to maximize economic opportunity and development in the community.
- Promotion and facilitation of job opportunities and sustainable wages for the local community, and establishment and continuation of strategic partnerships.

SRD is tasked with developing, maintaining, implementing and promoting regulatory compliance, policies and programs to meet the intent of its mission. These functions are carried out in coordination with all Port divisions and departments. Currently, the division is comprised of three groups: SRD Administration, Economic Opportunity and Contract Compliance, and Equal Employment Opportunity.

DEPARTMENT FUNCTIONS

SRD ADMINISTRATION

Administration provides management direction and coordination of the division's strategic planning, operations, program and overall budget. It works closely with the Executive Office and all Port divisions to administer and manage federal, state, local, and Port policies and regulatory requirements as they relate to equal opportunity and civil rights. The division promotes equitable and fair policies, programs and procedures for employees and external stakeholders engaged with the Port.

ECONOMIC OPPORTUNITY AND CONTRACT COMPLIANCE

The Economic Opportunity and Contract Compliance Department ensures equal access and compliance with federal, state, and local labor and business requirements by encouraging the participation of small, disadvantaged and local contractors, consultants and vendor businesses in Port contracting and purchasing opportunities. The department further promotes job pathways and sustainable wages through innovative policies and programs, strategic partnerships, outreach and compliance.

As a means to achieving these goals, the Port has developed and is implementing the NDSLBP designed to award preference points to small and local businesses on bid opportunities. The department certifies compliance with the Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, and the Disadvantaged Business Enterprise (DBE) Program, federally mandated programs that monitor utilization of disadvantaged business enterprises as defined by Federal regulations.

The department also manages the MAPLA Social Justice Program and the Limited English Proficiency Program. Additionally, the department is responsible for the administration and monitoring of the Port's Living Wage and federal/state prevailing wage regulations. See "Port Overview – Social Responsibility, page A-1)

EQUAL EMPLOYMENT OPPORTUNITY

The Office of Equal Employment Opportunity offers multifaceted services to Port employees and acts as a resource to Port divisions and departments on equal employment opportunity and civil rights matters. The office promotes fairness, equity, inclusion and diversity for all employees and job applicants, without regard to age, ancestry, color, disability, marital status, medical condition, national or ethnic origin, political affiliation, race, religion, sex, or sexual orientation. The office ensures nondiscrimination by designing, coordinating and implementing policies, procedures and training programs. The office works in collaboration with the Human Resources Department, hiring supervisors and managers, to recruit, train, and retain a workforce that is representative of the regions' diverse workforce. The office's primary functions include:

- Fulfillment of federal and state laws by developing policies to implement equal employment opportunity and accessibility requirements (not limited to employment);
- Ensuring equitable access to employment opportunities and to Port facilities; and
- Administering the process for the investigation and resolution of discrimination complaints.

Equal Employment Opportunity policies, programs and procedures are guided in part by the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act of 1967, Pregnancy Discrimination Act of 1978, Title I and Title II of Americans with Disabilities Act of 1990, the California Fair Employment Housing Act of 2000, and Veterans and Individuals with Disabilities.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	1,342	1,228	1,505	1,555	1,629
Contractual Services	74	165	226	232	239
Supplies	2	3	4	4	4
General & Administrative	140	265	79	82	84
TOTAL	1,559	1,661	1,814	1,872	1,956
<i>Funded FTEs (headcount)</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>9</i>	<i>9</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Transfer Equal Opportunity Department from CAS Division and transfer 1 FTE to External Affairs Division.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2011-12: Transfer Equal Opportunity Department related expenses from CAS Division partially offset by transfer of Community Relations related expenses to External Affairs Division.
- FY 2010-11: Higher professional and consulting costs assumed.

General & Administrative

- FY 2011-12: Transfer of dues and registration expenses of \$0.1 million and community outreach expenses of \$0.1 million to External Affairs Division.
- FY 2010-11: Increased dues and registration and community outreach.

OFFICE OF BOARD OF THE PORT COMMISSIONERS

FUNCTION

The Board, as established in the City Charter, was specifically created to promote and assure the comprehensive development of the Port through continuity of control, management and operation.

The exclusive control and management of the Port is vested in the Board, composed of seven (7) members who are nominated by the Mayor of Oakland and approved by the Oakland City Council. The Board is specifically charged with the tasks presented in Article 7 of the City Charter.

The Board Secretary and other department staff manage the functions of the Office of the Board of Port Commissioners. The department's key duties include assuring public's right to know and participate in a meaningful way in the decision making processes of the Port; publishing the Board Agendas, Minutes, Resolutions and Ordinances in conformance with the City Charter and Ralph M. Brown Act; receiving and publically opening all sealed bids; coordinating Public Information Requests; and filing the Fair Political Practices Commission's Form 700, Statement of Economic Interest. The Board Secretary also serves on the Port's senior management team.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	259	252	337	348	365
Contractual Services	41	36	36	38	39
Supplies	9	5	5	5	5
General & Administrative	138	177	161	166	171
TOTAL	447	471	540	557	580
<i>Funded FTEs (headcount)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Salary adjustment for certain employee.
- FY 2010-11: Includes impact of furlough/mandatory layoff days.

General and Administrative

- FY 2011-12: Primarily reduced travel expense.

EXECUTIVE OFFICE FUNCTION

EXECUTIVE OFFICE

The Executive Office provides leadership, vision, inspiration and direction to all Port divisions and departments. The Executive Director, who is appointed by the Board, is the Port's top management official. In accordance with the Board's policies, the Executive Director is responsible for the formulation, interpretation and implementation of Port policy.

The Executive Office also provides guidance and oversight to the Port's divisions and departments in strategic, long-range, and policy planning. This includes strategic development, business planning, and managing projects and services that will meet the Port's future operational and organizational needs. In addition, the Executive Director is responsible for labor relations.

LABOR RELATIONS

Labor Relations exercises overall responsibility for the Port's Labor Relations Program. Labor Relations engages, improves and encourages meaningful labor relations between the Port and its unions – Service Employees International Union (SEIU) Local 1021, Western Council of Engineers (WCE), International Brotherhood of Electrical Workers (IBEW), and the International Federation of Professional and Technical Engineers (IFPTE), Local 21. Labor Relations develops and directs the Port's overall labor strategy; develops proposals and directs negotiations of sustainable memoranda of understanding (MOU) reflective of the Port's operational needs and objectives; provides interpretation of the MOU in grievances of discipline and contract interpretation; provides interpretation of various employee policies and procedures as they impact labor relations; provides guidance to ensure results of meet and confer sessions with unions on wages, hours and working conditions are aligned with labor strategy; meets at regularly scheduled Labor Management Partnership Meetings with union leadership; ensures labor relation objectives support the Port's overall strategic plan; and updates, informs and trains stakeholders on a consistent basis on evolving or current labor relations issues.

EXECUTIVE OFFICE OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	869	849	767	791	828
Contractual Services	363	330	209	215	222
Supplies	1	8	7	7	7
General & Administrative	163	284	225	232	239
TOTAL	1,395	1,471	1,207	1,245	1,295
<i>Funded FTEs (headcount)</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>3</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Transfer Government Affairs Department to External Affairs Division. Add Port Labor Advisor.
- FY 2010-11: Includes impact of furlough/mandatory layoff days.

Contractual Services

- FY 2011-12: Transfer \$0.3 million of legislative representative expense to External Affairs Division. Transfer \$0.2 million to Labor Relations consulting expense from CAS Division.

General and Administrative

- FY 2011-12: Lower promotional expenses.
- FY 2010-11 Higher expenses related to community and public relations and promotional expenses.

OFFICE OF AUDIT SERVICES

FUNCTION

The Office of Audit Services provides independent and objective reviews and evaluations of the financial and operational activities of the organization for the benefit of the Port, its management and the Board. Additionally, it also manages and administers the Whistleblower Program.

DEPARTMENT FUNCTIONS

Internal Audit provides reasonable assurance that the controls are adequate and effective so that all applicable laws and regulations are complied with; resources are safeguarded; data and information are reliable; operations are effective and efficient; and the plans and intentions of the Board and management are carried out. It also conducts investigation of whistleblower hotline reports, furnishes constructive recommendations for improvements and provides assistance in implementing them.

Field Audit verifies that revenues owed the Port and expenses reimbursed/paid to consultants/contractors by the Port were properly computed and reported.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	1,106	1,131	1,231	1,271	1,331
Contractual Services	0	6	5	5	6
Supplies	5	8	7	7	7
General & Administrative	20	26	25	25	26
TOTAL	1,131	1,170	1,268	1,309	1,370
<i>Funded FTEs (headcount)</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2010-11: Includes impact of furloughs/mandatory layoff days.

Contractual Services

- FY 2010-11: Outside consultant to help perform internal audit functions.

PORT ATTORNEY'S OFFICE

FUNCTION

The Port Attorney's Office, as provided under City Charter Section 706, paragraph 20, passes upon the form and legality of all contracts within the jurisdiction of the Board; gives legal advice to the Board, its officers and employees on all matters within its jurisdiction; defends and prosecutes or compromises all actions at law or equity and special proceedings for or against the City related to Port activities or any Port officers in their official capacity; prepares all legal briefs and memoranda, contracts, ordinances, resolutions and other documents of the Port; and makes all appearances in actions and proceedings on behalf of the Port. The Port Attorney's Office discharges these duties directly and through assistants and deputies. Duties are assigned among the staff attorneys on a case-by-case basis with some specialization in maritime, aviation, commercial real estate, environmental, litigation, public finance, and personnel areas.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	2,645	2,714	2,716	2,805	2,939
Contractual Services	1,162	1,603	1,493	1,538	1,584
Supplies	12	35	35	36	37
General & Administrative	92	127	128	131	135
TOTAL	3,911	4,478	4,371	4,510	4,695
<i>Funded FTEs (headcount)</i>	<i>13</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Transfer of 1.0 FTE to Labor Relations Department under the Executive Office.
- FY 2010-11: Includes impact of furloughs/mandatory layoff days.

Contractual Services

- FY 2011-12: Lower legal services of \$0.1 million.
- FY 2010-11: Primarily higher legal services of \$0.4 million.

General & Administrative

- FY 2010-11: Reclassification of on-line subscription services from Contractual Services to General & Administrative.

FINANCIAL SERVICES DIVISION

FUNCTION

The Financial Services Division provides the Port with financial guidance, short and long term, in the areas of financial planning, financial management, capital project funding, internal and external financial reporting, risk management and purchasing.

DEPARTMENT FUNCTIONS

Financial Services Administration provides the management direction and coordination of the departments and functions within the division. Administration plans and manages the Port's overall financial operations.

Finance/Controller provides the Port with centralized accounting services. The information generated is utilized by internal and external users, as well as regulatory agencies. The functions of the department include the recording of revenue, expenses, assets, liabilities, payments to vendors, payroll, billing of tenants, and collection of accounts receivable, as well as the preparation of financial reports and studies. The department is also responsible for the coordination and oversight of internal and external audits.

Financial Planning prepares and monitors the Port's operating and capital budgets, prepares financial analyses and forecasts, and develops and coordinates the funding of the capital projects. The department is also responsible for cash management, fixed assets management, debt structuring and debt compliance.

Purchasing facilitates and manages the acquisition of supplies, equipment and services for the Port except for those items and services which are procured through construction bids. In order to maximize use of cooperative purchasing agreements, the department maintains contact with and coordinates with the State of California, the County of Alameda and the City.

Risk Management is an integral part in protecting the long term viability and sustainability of the Port. This department is responsible for preserving the Port's assets by identifying, evaluating and recommending risk transfer of insurable loss exposures faced by the Port. Under the supervision of the Port's Risk Manager, the department directs and coordinates risk transfer functions, including: risk analysis, purchase of insurance, claims administration (in conjunction with the Port Attorney's Office), selection of insurance agents or brokers, allocation of risk charges (insurance and claims costs) to operating departments, recovery from insurance companies for insured loss and from other responsible parties for uninsured losses, and review of deductible and self-insured retention options. Risk Management also reviews the various Port contract agreements and recommends insurance protection levels for tenants, vendors, consultants and suppliers and tracks compliance with the insurance required of them. Risk Management administers the Port's Owner-Controlled Insurance Program (OCIP) to manage insurance coverage and costs related to capital improvement projects. This includes identification and analysis of the risk of accidental loss; purchase of related casualty insurance; and administration of the claims, other insurance related activities and coordination of risk prevention and control measures with the insurers and relevant Port staff.

FINANCIAL SERVICES DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	4,371	4,109	4,470	4,620	4,844
Contractual Services	655	701	635	701	681
Supplies	6	9	5	6	6
General & Administrative	42	47	40	41	42
TOTAL	5,075	4,867	5,150	5,368	5,573
<i>Funded FTEs (headcount)</i>	<i>27</i>	<i>29</i>	<i>30</i>	<i>30</i>	<i>30</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Addition of 1 Staff Accountant.
- FY 2010-11: Includes impact of furlough/mandatory layoff days and impact of retirement program that occurred in FY 2009-10.

Contractual Services

- FY 2012-13: Increase in professional consulting expense due to requirement of a physical inventory of Port assets.
- FY 2011-12: Lower copy machine rental, payroll services and audit expenses.
- FY 2010-11: Higher financial consulting and copy machine maintenance expenses partially offset by lower copy machine rental.

NON-DEPARTMENTAL FUNCTION

Non-Departmental is a cost center created to identify Port-wide non-discretionary expense items which are not allocated directly to Port divisions and departments. These expenses include personnel vacation and sick leave accruals, retiree medical expenses, workers' compensation costs, unemployment insurance, City charges for administrative services, telecommunications costs, insurance premiums, utilities for Port usage, and contingencies for legal and environmental mitigation.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2009-10	Budget 2010-11	Budget 2011-12	Projected 2012-13	Projected 2013-14
Personnel Services	13,572	12,219	10,571	8,909	9,291
Contractual Services	1,698	1,939	1,909	1,966	2,025
Supplies	0	0	0	0	0
General & Administrative	14,171	14,769	13,623	14,032	14,453
TOTAL	30,982	28,927	26,103	24,907	25,769
<i>Funded FTEs (headcount)*</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>3</i>	<i>6</i>

* *Budgeted Personnel Expenses related to projected additional FTEs are allocated across all divisions. It is unknown at this time where the additional FTEs will be placed.*

Personnel Services

- FY 2013-14: Savings of \$2.0 million for vacancy factor and \$3.8 million in labor adjustments¹ partially offset by higher projected retiree medical costs of \$0.2 million and workers' compensation costs of \$0.2 million. Actual savings from vacancy factor and labor adjustments will be applied to divisions when known.
- FY 2012-13: Savings of \$2.0 million for vacancy factor and \$3.8 million in labor adjustments¹ partially offset by higher retiree medical costs of \$0.2 million and higher workers' compensation costs of \$0.1 million. Actual savings from vacancy factor and labor adjustments will be applied to divisions when known.
- FY 2011-12: Savings of \$2.3 million for vacancy factor and \$1.5 million in labor adjustments¹ partially offset by higher retiree medical costs of \$1.3 million, workers' compensation costs of \$0.6 million and vacation accrual of \$0.3 million. Actual savings from vacancy factor and labor adjustments will be applied to divisions when known.
- FY 2010-11: Lower workers' compensation expense based on historical trends and reduced vacation/sick leave accruals.

¹ Additional \$1.8 million of labor adjustments allocated to divisions.

Contractual Services

- FY 2010-11: Higher expenses related to City Special Services.

General & Administrative

- FY 2011-12: Primarily lower electricity for Port use costs of \$1.0 million due to forward utility rate contracts and decreased legal contingency expense of \$0.2 million partially offset by higher pollution remediation costs of \$0.1 million.
- FY 2010-11: Higher Port use electricity costs of \$0.8 million and increased legal contingency expense of \$0.7 million partially mitigated by lower pollution remediation costs of \$0.6 million and crane insurance of \$0.3 million.

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CAPITAL PLANNING PROCESS

The Port updated its capital expenditure and budget approval process in the Spring of 2010, as illustrated in the diagram on page E-15. The capital planning process begins with the identification of the Port's 5-Year Capital Needs Assessment (CNA). The 5-Year CNA is updated on an annual basis and presented to the Board. The 5-Year CNA is not a committed capital improvement program of the Port. Instead, it only identifies the anticipated capital needs of the Port over the next five years.

For FY 2011-12, budget authorization will be requested from the Board for those projects for which there is already a contractual obligation, as well as an amount for pre-development work

and miscellaneous facilities replacement projects that are less than \$100,000. Authorization to proceed with other capital projects included in the CNA will be authorized by the Board on a project-by-project basis based on the need, financial analysis, cost estimates, alignment with Port goals and strategies and available funding sources.

The Revenue Divisions manage the projects on an ongoing day-to-day basis and meet regularly with the Engineering Division, other service providers and the Financial Services Division to track and manage the scope, budget and schedule.

5-YEAR CAPITAL NEEDS ASSESSMENT

The \$594 million FY 2012-16 CNA includes projects in the Aviation, Maritime, Commercial Real Estate and Support Divisions (see pages E-16 through E-18). The 5-Year CNA does not include significant capacity expansion projects and thus will generally not generate significant new revenues. The 5-Year CNA is primarily focused on asset renewal, modernization and facility upgrading, maintaining revenue, enhancing customer service, and marginally improving revenue through better customer service and greater efficiency. For a project to be included in the 5-Year CNA, it must meet one or more of the following criteria:

- Contractual Obligation (Board approved contract, accepted grant or lease obligation)
- Regulatory Compliance
- Revenue Maintenance
- Revenue Enhancement
- Life and Safety
- Customer Service
- Environment and Community Benefits

In addition, the 5-Year CNA takes into account available funding sources (e.g., grants and PFCs), overall Port finances and Port staffing resources.

Capital projects are those expenditures that may be capitalized as defined in the Port's Capitalization Policy (AP506). Capital expenditures are defined as:

- Port-owned
- Costing \$5,000 or more
- Having an economic useful life of three or more years
- Intended to provide productive benefit to the Port during its useful life

In addition, the Port allocates indirect overhead costs to capital projects. The Port has conducted an indirect cost allocation analysis and as of September 2010, changed the administrative overhead rate on capital project costs from 187.66% on Port labor costs and 4.64% on non-labor costs, to 194.92% on labor costs and

3.61% on non-labor costs. The Port has made all required submissions to the FAA concerning the indirect cost overhead rate.

The projected annual cost of the 5-Year CNA represents estimated costs for numerous individual projects. The cost estimates for such projects are subject to uncertainties, such as unanticipated increases in the cost of materials, and are therefore subject to change. In addition, projects may be added to or removed from the 5-Year CNA as the needs of the Port evolve. No assurances can be made that cash and/or financing will be available to complete projects included in the 5-Year CNA. Failure to complete such projects may adversely impact projected Port revenues.

Aviation Division Projects

The 5-Year CNA includes \$423 million of projects in the Aviation Division and is divided into eight programmatic areas: Airfield Safety and Security; Airfield Pavement; Security; Terminal Renovation and Retrofit; Parking, Roadways, and Rental Car; Environmental and/or Community Benefit; Utility Infrastructure Maintenance; and Infrastructure Renovation for Leased Facilities.

Airfield Safety and Security

Approximately \$153 million is included in the 5-Year CNA for airfield safety and security projects. Key projects in this category include utilities for the FAA's planned new Air Traffic Control Tower (ATCT), a new Remote and Transmit Tower, perimeter dike improvements, runway safety area improvements, airport layout plan update, acquisition of a new Aircraft Rescue and Firefighting (ARFF) vehicle, and enhancement of airfield signage and lighting. Approximately \$5.4 million is programmed for FY 2012, a majority of which is contractually obligated through AIP grants or design consultant agreements in progress.

FAA Air Traffic Control Tower. The new ATCT, designed to reach a height of 236 feet above ground level (plus 20 feet of antennas and

lightning masts), will enable the FAA to improve efficiency by reducing duplicative activities necessitated by maintaining the two existing towers. The new ATCT's 13,000 square foot 'base building' (administrative offices) will contain the latest electronic equipment associated with a new, state of the art air traffic control system as well as offices, kitchen area and showers. The tower is being designed to meet U.S. Green Building Council LEED criteria for Gold certification using design features such as a 250 kW solar array to be constructed on roofs of the base building and carports, and a geothermal well component to the building's heating, ventilation and air conditioning system (HVAC). By circulating water through 16 encased wells drilled 300 feet below the tower's parking lot, the FAA expects to reduce its need for HVAC power by about 12%.

Although the tower project is FAA funded and constructed, the Port has certain obligations. The Port will contribute a new airfield lighting control panel and crash phone once the FAA's contractor has completed the building, now expected to be in February 2012. Additionally, the Port is responsible for demolishing the old North Field Tower which will visually obstruct the view of both thresholds of Runway 27.

Perimeter Dike Improvements. The perimeter dike separates the South Field airfield from San Francisco Bay waters. The Port and its consultants have completed a series of studies that assess existing geotechnical conditions, vulnerability of the dike to storms, sea level rise and potential future seismic events, and identifies improvements needed to address those vulnerabilities. In FY 2011, environmental review and design of the improvements were initiated, as well as preliminary discussions with the two pipeline companies who own active and inactive fuel lines within the airport perimeter dike. The \$49.2 million total project budget reflected in the 5-Year CNA includes the balance of design and environmental work; continued negotiations with the pipeline companies; mitigation of potential wetland wildlife impacts from the project; and

construction of the recommended improvements. Staff continues to actively pursue potential governmental funding sources for this project.

Runway Safety Area Improvement Project. The FAA requires that commercial airports, regulated under Part 139, have standard Runway Safety Areas (RSAs) where practicable. The FAA has a high-priority program to enhance safety by upgrading the RSAs at commercial airports and provide federal funding to support those upgrades. RSAs enhance the safety of airplanes which undershoot, overrun, or veer off the runway. RSAs are required at both ends and along the sides of runways to provide greater accessibility for firefighting and rescue equipment during such incidents. At most commercial airports, the typical RSA is 500 feet wide and extends 1,000 feet beyond each end of the runway. Since many airports were built before the 1,000-foot RSA length was adopted some 20 years ago, the area beyond the end of the runway is where many airports cannot achieve the full standard RSA. This is due to obstacles such as the presence of bodies of water, highways, railroads, populated areas, or severe drop-off of terrain.

Most of the RSAs at OAK do not meet current FAA airport design standards. A planning study entitled "Runway Safety Area Study – Final Report" (Phase I Report) was completed in October 2005 to identify and evaluate how to bring these RSAs at OAK into conformance with FAA criteria. In consultation with the FAA and based on application of the RSA evaluation criteria in effect at the time, one improvement alternative was identified for Runway 11/29 and another for Runways 9L/27R and 9R/27L. While these alternatives would have improved OAK's RSAs, they were not fully compliant with FAA RSA standards; several fully-compliant alternatives were discarded because they exceeded the FAA cost criteria in use at the time.

In 2009, after the Port had initiated an AIP-funded project to prepare an Environmental Assessment (EA) and a 25% design of the OAK

RSA recommended alternatives, the FAA requested that the Port revisit the 2005 RSA report using revised evaluation criteria -- specifically relaxing the criterion that had eliminated alternatives from consideration based on maximum feasible cost. Accordingly, a re-evaluation analysis was prepared and submitted to the FAA for review. Based on this analysis, two new preferred RSA alternatives for North and South Fields were identified that met the new criteria. The Port is now proceeding with preliminary design and environmental review of those options. Approximately \$100 million has been included in the 5-Year CNA. Although the grant funding is not yet in place, the 5-Year CNA assumes that that this project would be AIP grant funded using PFCs as the local match.

Airfield Pavement

In FY 2012 Port staff will continue with its strategic airport pavement management program. This program ensures that the pavement at the airport, one of the Port's largest assets, is managed in the most cost-effective manner providing for the longest pavement life, ensuring aircraft safety through quality pavement that does not lead to foreign object debris damage, and maximizing FAA AIP grant funding.

During FY 2011, rehabilitation of high speed Taxiways Victor and Yankee was completed, and the construction of East Apron Phase 3 (EAP3) was continued, including successful expenditure of \$15 million in federal stimulus funds. The EAP3 total project cost is estimated at \$31 million (a portion of the costs have been expended and not included in the current 5-Year CNA). Budgeted EAP3 funding includes 50% ARRA grant funds, 40% AIP grant funds, and 10% PFC funds.

Pavement rehabilitation activities slated for FY 2012 will focus on projects that support the RSA improvement program described above, including the design and Phase 1 construction of improvements to Taxiways Whiskey and Uniform, and an update of OAK's FAA-required

Pavement Management System. Total estimated costs for these FY 2012 projects is about \$6.8 million, a majority of which is contractually obligated in the form of programmed AIP grant funding and PFC-funded local share. Approximately \$34 million has been included in the 5-Year CNA for airfield pavement rehabilitation projects.

Security

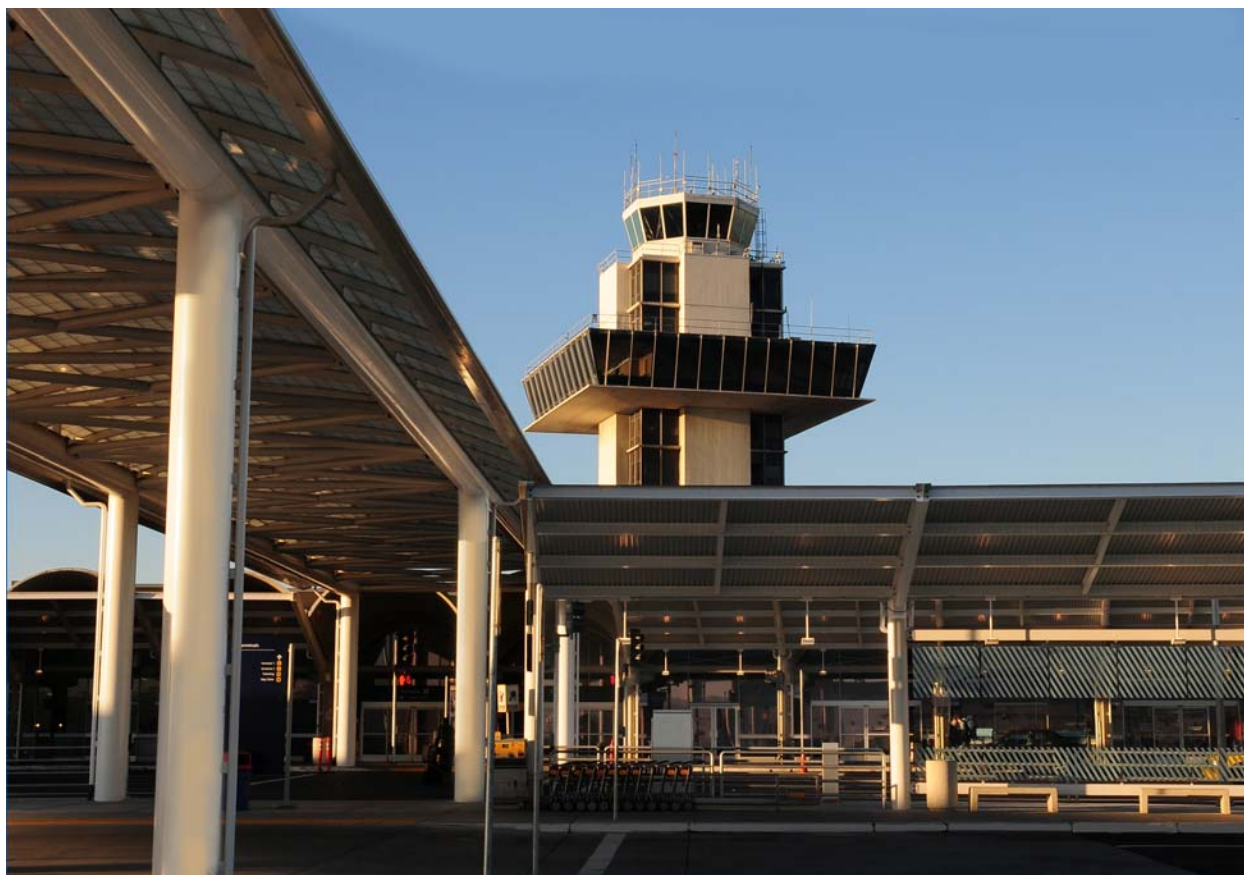
Approximately \$1.0 million is included in the 5-Year CNA for general airport security projects. Key projects include closed circuit television expansion, upgrades, and replacement and general security system upgrades.

Terminal Renovation and Retrofit

The passenger terminal complex at OAK includes Terminal 1 (16 gates) and Terminal 2 (13 gates). An extensive expansion and renovation of Terminal 2 was completed in 2006. Minor capital projects associated with Terminal 2 are included in the 5-Year CNA, including scheduled re-roofing of Building M130. The majority of the other capital improvements are focused on Terminal 1 (T1).

Through studies and analysis, it was determined that T1 would be retained for the foreseeable future to accommodate existing air passenger traffic and near-term growth. To retain the T1 structures and related systems, substantial renovations are required to meet current codes, mitigate life safety issues, replace inefficient and outdated infrastructure, improve passenger service, prolong service life and improve life cycle costs. The Strategic Plan includes the Terminal 1 Renovation and Retrofit Project as an implementing action to sustain economic and business development by maximizing the use of existing assets, retaining existing customers and tenants, and pricing Port services to provide a highly competitive value. The Terminal 1 Program addresses building code and life safety upgrades (fire suppression/alarm, seismic, ADA compliance), renovation of major building systems, such as HVAC and the paging system, as well as potential architectural/life cycle maintenance upgrades, such as flooring materials, lighting and signage.

Terminal 1



The Terminal 1 Program has been implemented in a phased manner, addressing near term needs, prioritized life safety and other code requirements, and funding availability. Projects completed in FY 2011 include new flooring, gate podiums, ADA-related enhancements, seismic retrofitting of the concourse building (M103), carpet replacement, window glazing to reduce radiant heat exposure in M152, and completion of a new pre-security waiting area. Board approval in October 2010 authorized approximately \$25 million dollars for T1 renovation projects, including the final design for the life safety improvements in M102 and three early delivery projects: fire suppression and fire alarm installation in M103, communication and paging upgrades in M103, and a new substation. The design for the M102 life and safety improvements was completed in CY 2011 and construction of these improvements expected to begin by the end of FY 2012. The final design for the central utility plant

renovation/replacement was completed in CY 2011 and construction is planned to begin for this project by the end of FY 2012.

The renovation program will include green building principles and will continuously evaluate customer and tenant needs as projects are designed and implemented. This program is funded primarily through PFCs, on average 88% PFC-eligible and 12% Port Share¹, with a relatively small amount funded through the concession infrastructure improvement fee paid by the concessionaire. Approximately \$174 million is included in the 5-Year CNA for the Terminal-related improvements.

¹ Sources of Port Share may be (1) additional grants, (2) third-party contributions, (3) Port cash, (4) debt or (5) other.

Parking, Roadways, and Rental Car

This program category includes a range of airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations and/or maintain revenues. Approximately \$38.2 million is included in the 5-Year CNA for these projects, a majority of which is contractually obligated for the Bay Area Rapid Transit (BART) – Oakland Airport Connector (OAC), described below.

BART – OAC. BART is constructing a connector to improve access between OAK and the regional rail transit system using an automated people mover. The 3.2 mile system includes elevated guideway sections along Hegenberger Road, a tunnel beneath Doolittle Drive, and at-grade and elevated sections on airport property approaching the terminal facilities. The BART-OAC project is intended to provide reliable scheduled service; connections that are safe, convenient, and predictable; and travel time savings between BART and OAK. Nearly \$36 million of the Port contribution of approximately \$44 million (of an estimated total project cost of \$480 million) is included in the 5-Year CNA. This project will be PFC-funded.

Environmental and/or Community Benefit

Approximately \$4.5 million has been included in the Aviation 5-Year CNA for environmental and/or community benefit projects. Examples of projects in this program category include improvements to OAK's noise monitoring system and payments to the City of San Leandro for noise insulation under the Airport Development Program (ADP) Settlement Agreement.

Utility Infrastructure Maintenance

OAK contains an extensive network of utility infrastructure components throughout the 2,500 acre campus. Water, stormwater, sewer, information technology, telecommunications, and electrical infrastructure are vital to the ongoing operation of airport facilities; significant failures must be avoided through a combination of maintenance and continuous capital investment. Strategic asset management

determines the relative cost effectiveness of improving or replacing, rather than maintaining, an asset, in order to avoid catastrophic failure. Approximately \$9.5 million has been included in the 5-Year CNA for stormwater and utility infrastructure projects.

Water and Sewer Upgrades. Reconstruction of water lines at North Field and major sewer infrastructure replacement are slated for design and partial construction in FY 2012.

Replacement of Pump Stations #4 and #6. Much of OAK's stormwater management infrastructure has aged beyond its useful life, no longer functions as designed, and is in need of renewal and modernization. Areas of ponding and flooding have increased over the years. Construction of replacement Pump Station #4 and completion of the design of replacement Pump Station #6 are slated for FY 2012, based on recommendations of the Stormwater Master Implementation Plan completed by the Port and its consultants in 2009. Approximately \$2.4 million is contractually obligated for these projects.

Infrastructure Renovation for Leased Facilities

One of the Strategic Plan implementing actions is to complete required infrastructure projects to meet existing lease requirements (apron, foundation, roofing, and walls) to support revenue retention and generation.

Some leased facilities at North Field are in poor condition and must be improved in accordance with the Port's contractual obligations to tenants. A thorough assessment of the North Field properties' lease requirements has been conducted and an on-going program to address the required improvements is being developed. Approximately \$7.4 million is included in the 5-Year CNA for this program category, a majority of which is contractually obligated by lease agreements.

Maritime Division Projects

The 5-Year CNA includes approximately \$146 million of projects in the Maritime Division.

Maritime Security Initiatives

Since 2001, the Port, state and federal government have focused on seaport security as a critical link in the national defense. Leveraging both state and federal security grant programs, the Port continues to implement security enhancements at the seaport. To date, the Port has installed radiation portal monitors, which scan all imported containers for radiation at all of the Port's international marine terminals. The Port has implemented a comprehensive intrusion detection and surveillance system throughout the seaport area, offering security personnel the ability to identify what is happening throughout the seaport, including the marine terminals, roadways and other key infrastructure.

Ongoing security projects include the installation of a waterside surveillance system of cameras mounted on select cranes which can identify a security breach at the wharf; construction of a security network to better incorporate all the surveillance technology through a common network; and a Radio Frequency Identification (RFID)-based truck tracking program to better monitor truck activity within the Port. The security projects are anticipated to cost \$14 million and be completed in FY 2014. In FY 2012, the Port plans to spend \$8.8 million on these ongoing security projects which are almost fully funded by grants. Upon completion, the annual maintenance cost of the intrusion detection and surveillance systems is estimated to be \$0.7 million, which will be grant funded through FY 2014.

Shore Power Program

California law requires container vessels berthed at the Port to reduce emissions associated with auxiliary engines powering the vessel. In order to ensure vessels are able to comply with this regulation, the Port's tenants must have

emissions control measures available at the wharf for the vessels. After reviewing the regulation and following discussions with the terminal operators, the Port determined that the most effective compliance option is for vessels to be retrofitted to receive electric power supply from the shore power, reducing vessel auxiliary engine use while at berth.

The Port has a role as an electric utility company for parts of its Maritime area, including Berths 55-59 and the crane power at Berths 22-26. For vessel fleets to comply with this law, they will need the cooperation of the Port's marine terminal operator tenants, as well as the electric utility provider for these terminals (either the Port or a third party provider) to ensure that the appropriate electricity supply is available to the fleets while berthed at the Port. The Port's Shore Power Program requires significant new electrical power service infrastructure to each of the berths at the Port. The Port has started to implement the electrical system upgrades to ensure that its tenants and customers are able to fully comply with the law based on the specifics of their vessels' power demands.

The Port began planning for shore power in 2009. The first phase of construction, at 3 of the 12 berths in the Port's Shore Power Program, started in Spring 2011 and is expected to be completed in 2012. The second phase of construction will start in early 2012 and should be completed by late 2013.

The total estimated cost of the Shore Power Program, is \$90 million. Approximately \$85.4 million is included in the 5-Year CNA, as \$4.5 million has already been expended. Funding for the assumes approximately \$39.6 million in grants of which \$12.8 million has already been secured.

Site Preparation and Redevelopment of the Former Oakland Army Base (OAB)

Between 2003 and 2007, the Port received 241 acres of property which formerly was part of the OAB. The base had been decommissioned in 1999, and the Oakland Base Reuse Authority

(OBRA) determined that a portion of the base would be transferred to the Port to accommodate plans for the development of a new Berth 21, in line with and adjacent to Berth 22, and the use of much of the Army's property east of Maritime Street for the redevelopment into intermodal rail facilities and other Port-related uses. Since receiving title to the property, the Port has been demolishing the Army buildings, investigating and remediating environmental contamination, and planning for the ultimate build out of additional intermodal rail terminal capacity and other Port related uses. The Port has been in ongoing negotiations for leasing approximately 168 acres of the property with prospective developers since August 2009 for a long-term lease and redevelopment of the property. In FY 2012, the Port plans to continue remediating the site, lease negotiations, interim site preparation and redevelopment, including approximately \$1.4 million in FY 2012 for improvements to the site, such as grading and paving, fencing and lighting to support interim uses, which are not inconsistent with the larger redevelopment anticipated for the former base.

In the Amended and Restated Memorandum of Agreement (ARMOA) for the OAB, the Port and the City agreed to pay into a Community Trust Fund which would provide funding for activities that benefit the community. The City

Redevelopment Agency and its developer(s) are required to contribute to the Community Trust Fund. Once the City and its developer(s) contribute, the Port is required to make an equal contribution, not to exceed \$2 million, within 30 days of the City and its developer(s)' payment. If the City and its developer(s) do not make a contribution, then the Port has no obligation. The CNA for FY 2013 includes \$2 million for the Community Trust Fund in case the City and its developer(s) contribute to the fund.

Navigational Channel Deepening Project

With a water depth of 50-feet throughout the Port, shipping lines can schedule some of the world's largest vessels to call at the Port. The Port and the U.S. Army Corps of Engineers plan to improve the MHEA, a shallow water habitat surrounded by the Port's Middle Harbor Shoreline Park. The shallow water habitat was built by the Port as a mitigation measure for the redevelopment of the U.S. Navy's Fleet Industrial Supply Center, which included the park, an enhancement area, five new shipping berths, two marine terminals, and an intermodal rail terminal. The 5-Year CNA includes \$5.1 million in total expenditure for this project.



TraPac (Berths 30-32) Marine Terminal Redevelopment

The Port has a long standing relationship with Mitsui OSK Lines (MOL), a Japanese shipping company that has operated the (Berth 30-3) container terminal since its construction in 1994. MOL is part of the New World Alliance, which includes MOL, APL and Hyundai Merchant Marine. In July of 2008, TraPac, a subsidiary of MOL, entered into a new agreement with the Port for an expanded and renovated terminal, comprising approximately 65 acres. This expansion and redevelopment is intended to improve TraPac's operational efficiencies and capacity in the short and long terms. TraPac agreed to increase its MAG by approximately \$2.8 million per year in exchange for the new agreement and the associated terminal improvements. Under the new agreement, TraPac will continue to operate the Berths 30-32 marine terminals through 2024.

In Fall 2010, the Port substantially completed the last portion of the terminal improvements, representing an investment of approximately \$27 million. Some minor pending work will be completed in FY 2012.

Comprehensive Truck Management Program

As the Port continues implementing its CTMP, which includes improving circulation of truck traffic in the seaport, the Port plans on undertaking certain street-related improvements. \$1 million has been included in the CNA for FY 2012.

Sewer Upgrade

Some of the sewer lines in the Port area need to be upgraded due to age, new regulations requiring inspection and certain repairs as needed. \$300,000 has been included in the 5-Year CNA.

Commercial Real Estate Division Projects

The 5-Year CNA includes about \$10 million of projects in the CRE Division.

The Port is currently working with a private developer on JLS Phase II for the redevelopment of the eastern portion of JLS. The Port agreed to contribute \$2 million toward the environmental remediation of JLS Phase II parcels. Approximately \$1.6 million of the \$2.0 million will be expended by June 30, 2013. The developer project is valued at approximately \$300 million.

The Port is currently working with a private developer, Oakland Harbor Partners, to redevelop the Oak-to-Ninth waterfront district, centrally located on the Oakland Estuary minutes from JLS and downtown Oakland. Approximately \$600,000 is allocated in the FY 2012 CNA to facilitate development plans.

In addition, approximately \$7.3 million is included in the 5-Year CNA for improvements related to revenue maintenance and enhancements.

Support Projects

The 5-Year CNA includes \$15.4 million of projects for support and capital equipment. These projects include capital equipment purchases for the Port such as computer hardware and software, website modernization, network upgrades, telecommunications, office equipment, and replacement of trucks and other vehicles. They also include the continued implementation and enhancement of the Port's ERP system, supporting finance, human resources, procurement, projects and asset management functions across the Port. The majority of the ERP costs are anticipated in FY 2012. ERP represents approximately 31% of the total \$15.4 million identified in this category.

PROJECTS NOT INCLUDED IN THE 5-YEAR CNA

The Port's planned capital projects have been greatly reduced over the last three years due to budgetary and staffing constraints and reductions in demand for services. Provided below is a summary of the major projects excluded from the current 5-Year CNA.

The Port continues to assess and explore alternative funding strategies for projects not included in the 5-Year CNA and may include these projects in a future 5-Year CNA. If the Port fails to undertake the Maritime and Aviation projects not included in the 5-Year CNA, any resulting limitations on the Port's operating capacity could lower the rate of cargo and enplanement growth and adversely affect Port revenues.

Aviation

Aviation continues to explore alternative strategies for funding certain terminal and infrastructure projects. Major Aviation projects under consideration but not included or partially included in the 5-Year CNA are:

- Scope of Terminal 1 renovation reduced from an estimated \$300 million to approximately \$174 million.
- Utility infrastructure improvement scope reduced to highest priority utility needs only from approximately \$25 million to \$3.1 million.
- Stormwater system infrastructure improvement scope reduced to highest priority utility needs from approximately \$15 million to \$6.4 million.
- North Field facilities improvements limited to highest priority needs only from approximately \$10 million to \$7.4 million.

Maritime

Maritime continues to explore alternative strategies for funding certain terminal and yard reconstruction projects. Maritime projects under consideration but not included or partially included in the 5-Year CNA are:

- Reconstruction of APL wharf (partially) - \$115 million.
- Outer Harbor Intermodal Terminal (OHIT) - \$274 million.
- 7th Street Grade Separation - \$220 million.
- Additional Dredging - \$10 million.

- Utility and Sewer Infrastructure improvements - \$8 million. Studies will identify a more exact need and estimate.

OHIT and 7th Street grade separation projects are currently under negotiation for possible inclusion in the master lease of the OAB.

Commercial Real Estate

- Capital improvements at 530 Water Street – \$1.5 million.
- Various improvements at 530 Washington Street Garage – \$0.8 million.

CAPITAL PROJECT FUNDING SOURCES

Capital projects at the Port are funded by a variety of sources including grants, PFCs (including PFC-supported CP Notes), Port-generated cash, private sector contributions and debt. Based on current estimates of available grants, PFC funds, and Port-generated cash, the 5-Year CNA estimates a funding gap of approximately \$62.5 million. In addition, there is a timing gap of approximately \$128.5 million for PFC-eligible projects. That is, assuming a \$4.50 PFC rate, the amount of PFC-eligible projects in the 5-Year CNA is greater than the anticipated PFC collection over the next five years.

Port staff is currently evaluating on a project-by-project basis, how any funding gaps can be bridged. To the extent additional funding sources are not available and a decision is made to move forward with a project included in the 5-Year CNA, additional debt may be required to fund the project. Projects included in the 5-Year CNA will be approved on a project-by-project basis based on the need, financial analysis, cost estimates, alignment with Port goals and strategies and available funding sources. (See page E-19)

A description of the various funding sources is described below:

Federal Aviation Administration Airport Improvement Program Funds

The AIP funds approximately 80% of eligible Aviation projects. The Port is required to fund the other 20%. The Port's share may come from PFCs or internally generated revenues. The Port typically receives AIP grant reimbursements 60 days after expenditures are made.

From FY 2012 - 2016 total AIP grants for OAK, which consist of AIP entitlement and discretionary funds, are estimated to be \$108 million. From FY 2008 through FY 2010, OAK

received a total of approximately \$49.2 million in AIP grants. In FY 2011, OAK anticipates receiving approximately \$6.9 million in AIP funds. The AIP grants will be applied to the grant-eligible portion of airfield and apron related projects for both North and South Fields.

Passenger Facility Charges (Including PFC-Supported CP Notes)

PFC is a user fee charged by the airport and collected by the airlines for revenue passengers enplaning at OAK. The current rate is \$4.50 per enplaned passenger. Airlines retain approximately 2.4% (\$0.11 per passenger) and disburse the remainder to the Port. PFCs are collected at the time that airline tickets are sold, and are forwarded approximately 30 days after the month in which they are collected. Initiated at OAK in September 1992, PFCs are approved by the FAA and are used to fund eligible capital improvement projects at OAK.

In the 5-Year CNA, the Port includes approximately \$219 million of PFC-eligible projects and anticipates collecting \$106 million based on the current passenger forecast and a PFC level of \$4.50. Congress is currently reviewing proposals in the FAA re-authorization legislation that could increase the PFC up to \$7.00 per enplaned passenger. If the Board approves all the PFC-eligible projects in the 5-Year CNA, CP Notes or other debt is anticipated to address the timing difference of \$128.5 million². It is estimated that this amount will be repaid with PFC revenues in FY 2017-2023 based on assumed passenger activity levels and a \$4.50 PFC rate.

² The PFC timing difference takes into account an assumed July 1, 2011 PFC balance of \$9.5 million, and that costs to finance PFC projects will be reimbursed with PFCs.

Customer Facility Charges

Effective April 2002, the rental car companies operating at OAK are required to collect a \$10-per-transaction CFC from their rental customers. CFCs are received approximately 20 days after the month in which they are collected. CFC revenues in FY 2010 totaled approximately \$4.5 million. Future CFC revenues are projected based on a historical ratio of CFC collections per enplaned passenger.

CFCs can fund both operating and capital improvement costs related to rental car activity. In the current 5-Year CNA, no CFCs are anticipated to be used for capital costs. CFCs are anticipated to be used only to offset rental car busing operating costs.

Maritime Grants

The Port expects to receive approximately \$11.6 million in Maritime security grants and up to approximately \$39.6 million in other local, state, and federal grants³ from FY 2011 to FY 2015 which it intends to apply toward security projects and the Shore Power Program, respectively. Of the \$39.6 million of grant funding anticipated for the Shore Power Program, approximately \$39 million is budgeted for FY 2012-2015.

Port Cash

Cash generated from operations may be used to fund capital projects after payment of operating expenses, debt service and other payment obligations. Approximately \$152.8 million of such internal funds may be applied to the 5-Year CNA.

Other/Third-Party Contributions

The Port continues to actively seek private-public partnerships to fund portions of its 5-Year CNA.

Commercial Paper/Bonds/Debt

To the extent that the above listed funding sources are insufficient on a timely basis to pay for projects included in the 5-Year CNA, the Port would need to issue additional CP Notes/debt to fund its capital projects. Based on the current 5-Year CNA and estimated funding sources, approximately \$62.5 million of additional debt may be needed by the Port to fund certain projects included in the 5-Year CNA and an additional \$128.5 million for PFC-eligible projects.

³ Granting agencies that have awarded or may award the grants include but are not limited to: U.S. Dept. of Transportation, Maritime Administration; Bay Area Air Quality Management District; California Air Resources Board; Metropolitan Transportation Commission.

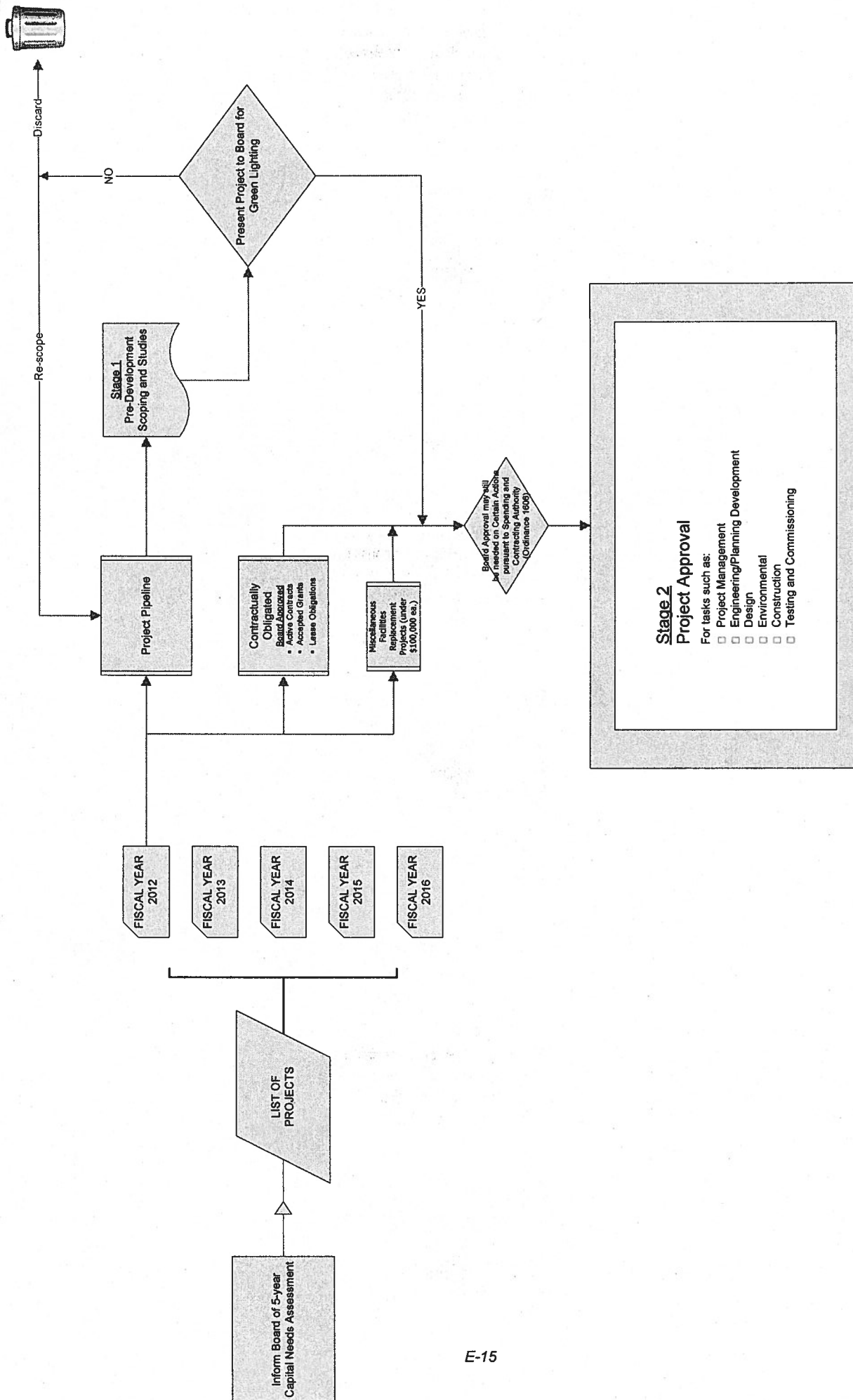
FY 2012 CAPITAL BUDGET AND FY 2012 PIPELINE PROJECTS

For FY 2012, budget authorization for \$85.6 million will be requested from the Board which represents those projects for which the Board already has a contractual obligation, as well as an amount for pre-development work and miscellaneous facilities replacement projects that are less than \$100,000.

Contractual obligations included in the FY 2012 Capital Budget include, but not limited to, expenditures for:

- Terminal 1 central utility plan design, podium and gate information displays, portions of fire suppression system and portions of seismic retrofit
- BART – Oakland Airport Connector
- East Apron Reconstruction Phase III
- Pavement Improvements – Taxiway W & U
- ADP Settlement Agreements – San Leandro Residential Noise Insulation
- Airport Noise Monitoring System Upgrade
- Replacement of Pump Houses 4 and 6
- Purchase of Aircraft Rescue and Firefighting truck
- Runway Safety Area – Environmental Assessment and Design, Phase B
- Shore Power Program – portion only
- Improvements at the Trapac Terminal (project closeout activities)
- Maritime security projects
- Dredging
- Jack London Square and Union Point Park environmental remediation reimbursement
- Oak-to-Ninth Tidelands Trust and closing costs
- Enterprise Resource Planning system

Additional projects as identified in the 5-Year CNA will be brought to the Board throughout the fiscal year on a project-by-project basis. Authorization to proceed with these capital projects will be authorized by the Board on a project-by-project basis based on the need, financial analysis, cost estimates, alignment with Port goals and strategies and available funding sources. (See pages E-19, E-20 and E-21)



Stage 1 Pre-Development			Stage 2 Project Approval (after Board Green light)	
Requesting Division → Engineering → Finance → Executive Office			Requesting Division → Engineering → Finance → Executive Office	
In-house Labor	Contractual Expenditure (professional services)			
Executive Director	\$50,000	Executive Director	\$100,000	

5-YEAR CAPITAL NEEDS ASSESSMENT**Allocated By Division and Year****FY 2011-12 to FY 2015-16****(\$ Thousands)**

<u>Divisions</u>	<u>FY 11-12</u>	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>Total</u>
Aviation	63,481	100,647	97,580	71,648	89,400	422,756
Maritime	49,256	41,816	17,029	21,700	16,450	146,251
Commercial Real Estate	7,498	675	349	1,409	180	10,111
Support	5,600	4,402	1,600	2,250	1,500	15,352
Total	125,835	147,540	116,558	97,007	107,530	594,470

5-YEAR CAPITAL NEEDS ASSESSMENT

Allocated By Division and Year

FY 2011-12 to FY 2015-16

(\$ Thousands)

<u>DIVISIONS</u>	FY 11-12	FY12-13	FY13-14	FY14-15	FY15-16	Total
<u>AVIATION</u>						
North Airport						
Airfield	0	0	500	500	0	1,000
Leased Area	700	1,861	1,550	1,500	1,750	7,361
Other	350	0	0	0	0	350
Subtotal North Airport	1,050	1,861	2,050	2,000	1,750	8,711
South Airport						
Airfield	8,867	9,075	22,400	9,000	35,500	84,842
Leased Area	250	100	0	0	0	350
Ground Access	700	0	0	0	0	700
BART Connector	12,600	12,600	10,700	0	0	35,900
Terminal	27,783	51,787	40,630	27,550	26,000	173,750
Other	0	0	0	0	0	0
Subtotal South Airport	50,200	73,562	73,730	36,550	61,500	295,542
Common Areas						
Airfield	2,787	22,200	20,000	30,000	26,000	100,987
Ground Access	50	724	800	0	0	1,574
Terminal	0	0	0	0	0	0
Utilities	3,369	2,100	1,000	3,048	0	9,517
Other	6,025	200	0	50	150	6,425
Subtotal Common Areas	12,231	25,224	21,800	33,098	26,150	118,503
TOTAL AVIATION	63,481	100,647	97,580	71,648	89,400	422,756

5-YEAR CAPITAL NEEDS ASSESSMENT

Allocated By Division and Year
FY 2011-12 to FY 2015-16
(\$ Thousands)

<u>DIVISIONS</u>	FY 11-12	FY12-13	FY13-14	FY14-15	FY15-16	Total
<u>MARITIME</u>						
TRAPAC Terminal	250	0	0	0	0	250
EMS/APL Terminal	150	0	0	15,000	14,450	29,600
Vision 2000	0	0	0	1,500	0	1,500
Security	8,785	1,500	3,350	0	0	13,635
Oakland Army Base	1,440	3,500	500	0	0	5,440
Dredging	1,400	1,508	0	2,200	0	5,108
Other Terminals & Misc	3,300	0	0	0	2,000	5,300
Shore Power Program	33,931	35,308	13,179	3,000	0	85,418
TOTAL MARITIME	49,256	41,816	17,029	21,700	16,450	146,251
<u>COMMERCIAL REAL ESTATE</u>						
Jack London Square (JLS)	6,270	575	249	1,209	180	8,483
Embarcadero Cove	418	100	0	0	0	518
Business Park	150	0	100	200	0	450
Oak-to-Ninth Avenue District	600	0	0	0	0	600
CRE - Miscellaneous	60	0	0	0	0	60
TOTAL CRE	7,498	675	349	1,409	180	10,111
<u>SUPPORT</u>						
Capital Equipment Purchases	2,000	1,000	1,000	1,000	1,000	6,000
IT Infrastructure	3,600	3,402	600	1,250	500	9,352
TOTAL SUPPORT	5,600	4,402	1,600	2,250	1,500	15,352
TOTAL	125,835	147,540	116,558	97,007	107,530	594,470

5-YEAR CAPITAL NEEDS ASSESSMENT

Estimated Funding Sources FY 2011-12 to FY 2015-16 (\$ Thousands)

	Aviation	Non-Aviation				Total
		Maritime	CRE	Support	Total	
Grants	108,084	50,635	0	1,393	52,028	160,112
CFC	0	0	0	0	0	0
PFC						
Pay-Go [1]	90,555	0	0	0	0	90,555
Timing Shortfall [2]	128,471	0	0	0	0	128,471
Total PFC	219,025	0	0	0	0	219,025
Port Share						
Port Cash [3]	72,575	n/a	n/a	n/a	80,228	152,803
To Be Determined [4]	23,072	n/a	n/a	n/a	39,458	62,530
Total Port Share	95,647	95,616	10,111	13,959	119,686	215,333
Total Estimated Funding	422,756	146,251	10,111	15,352	171,714	594,470

[1] Assumes \$9.5 million of PFCs available at beginning of FY 2012.

[2] PFC-eligible expenditures from FY 2012-2016 are greater than the expected PFC revenues during the same period, assuming a \$4.50 PFC collection rate. A debt financing vehicle or Port cash is needed for the PFC Timing Shortfall. The PFC Timing Shortfall is expected to be repaid with PFC revenues in FY 2017-2023 depending on passenger level and congressional PFC authorization level.

[3] Assumes \$4.5 million and \$13.5 million is received from close of Oak-to-Ninth transaction in FY 2012 and FY 2015, respectively.

[4] Sources of Port Share may be (1) additional grants, (2) third-party contributions, (3) Port cash, (4) debt or (5) other.

5-YEAR CAPITAL NEEDS ASSESSMENT

**Capital Budget
FY 2011-12
(\$ Thousands)**

		Non-Aviation				
	Aviation	Maritime	CRE	Support	Total	Total
PROJECTS						
Contractual Obligations	50,081	28,275	2,778	2,980	34,033	84,114
Pre-Development	500	0	0	0	0	500
Misc. Facilities Replacement Projects (<\$100K)	500	500	0	0	500	1,000
Total Initial Projects	51,081	28,775	2,778	2,980	34,533	85,614
ESTIMATED SOURCES OF FUNDS						
Grants	8,662	17,057	0	173	17,230	25,891
CFC	0	0	0	0	0	0
PFC						
Pay-Go [1]	27,128	0	0	0	0	27,128
Timing Shortfall [2]	3,873	0	0	0	0	3,873
Total PFC	31,001	0	0	0	0	31,001
Port Share						
Port Cash [3]	11,418	n/a	n/a	n/a	16,688	28,106
To Be Determined [4]	0	n/a	n/a	n/a	616	616
Total Port Share	11,418	11,718	2,778	2,808	17,304	28,722
Total Estimated Funding	51,081	28,775	2,778	2,981	34,534	85,614

[1] Assumes \$9.5 million of PFCs available at beginning of FY 2012.

[2] PFC-eligible expenditures from FY 2012-2016 is greater than the expected PFC revenues during the same period, assuming a \$4.50 PFC collection rate. A debt financing vehicle or Port cash is needed for the PFC Timing Shortfall. The PFC Timing Shortfall is expected to be repaid with PFC revenues in 2017-2023 depending on passenger level and congressional PFC authorization level.

[3] Assumes \$4.5 million is received from close of Oak-to-Ninth transaction in FY 2012.

[4] Sources of Port Share may be (1) additional grants, (2) third-party contributions, (3) Port cash, (4) debt or (5) other.

5-YEAR CAPITAL NEEDS ASSESSMENT

Pipeline Projects

(Projects Not Included in Capital Budget)

FY 2011-12
(\$ Thousands)

PIPELINE PROJECTS	Aviation	Non-Aviation				Total
		Maritime	CRE	Support	Total	
Contractual Obligations	0	0	0	0	0	0
Regulatory Compliance	830	300	0	0	300	1,130
Revenue Maintenance	8,870	16,241	1,220	2,245	19,706	28,576
Revenue Enhancement	0	1,440	3,500	0	4,940	4,940
Life & Safety	2,700	2,000	0	0	2,000	4,700
Customer Service	1,000	1,000	0	375	1,375	2,375
Environment and Community Benefit	0	0	0	0	0	0
Total Pipeline Projects	13,400	20,981	4,720	2,620	28,321	41,721
<u>Adjustments</u>						
Pre-Development	(500)	0	0	0	0	(500)
Misc. Facilities Replacement Project (<\$100K)	(500)	(500)	0	0	(500)	(1,000)
Total Adjustments	(1,000)	(500)	0	0	(500)	(1,500)
Total Pipeline Projects	12,400	20,481	4,720	2,620	27,821	40,221
ESTIMATED SOURCES OF FUNDS						
Grants	0	0	0	0	0	0
CFC	0	0	0	0	0	0
PFC						
Pay-Go [1]	0	0	0	0	0	0
Timing Shortfall [2]	8,838	0	0	0	0	8,838
Total PFC	8,838	0	0	0	0	8,838
Port Share						
Port Cash [3]	0	n/a	n/a	n/a	0	0
To Be Determined [4]	3,562	n/a	n/a	n/a	27,821	31,383
Total Port Share	3,562	20,481	4,720	2,620	27,821	31,383
Total Estimated Funding	12,400	20,481	4,720	2,620	27,821	40,221

[1] Assumes \$9.5 million of PFCs available at beginning of FY 2012.

[2] PFC-eligible expenditures from FY 2012-2016 are greater than the expected PFC revenues during the same period, assuming a \$4.50 PFC collection rate. A debt financing vehicle or Port cash is needed for the PFC Timing Shortfall. The PFC Timing Shortfall is expected to be repaid with PFC revenues in FY 2017-2023 depending on passenger level and congressional PFC authorization level.

[3] Assumes \$4.5 million is received from close of Oak-to-Ninth transaction in FY 2012.

[4] Sources of Port Share may be (1) additional grants, (2) third-party contributions, (3) Port cash, (4) debt or (5) other.

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DEBT SERVICE

Capital projects are funded by a combination of sources that includes cash, grants, PFCs and debt. The debt service as reflected in this budget is based on the scheduled annual principal and interest payments required of the Port's outstanding debt plus additional anticipated debt to fund the Port's 5-Year CNA.

Outstanding and Planned Debt

The Port does not have taxing power and has issued debt secured by a pledge of Port revenues (with certain exceptions).

Outstanding Debt

The Port currently has Senior Lien Bonds (Series K, L, M and N), a DBW Loan, Intermediate Lien Bonds (Series A, B and C) and CP Notes outstanding in the following amounts:

	Unaudited June 30, 2011
Senior Lien Bonds	\$ 834,230,000
DBW Loan	5,762,145
Intermediate Lien Bonds	479,850,000
CP Notes	87,268,000
Total	\$1,407,110,145

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in March 2000 through October 2007 at fixed rates ranging from 3.25% to 5.875% with principal repayment scheduled for FYs 2012-2033. The DBW Loan financed the renovation in 1999 of the Jack London Square Marinas and has a fixed rate of 4.5%.

The Port initiated a \$300 million CP program in 1998 to provide funding for a portion of the capital program (which may be repaid with cash, PFCs or long-term debt in the future and may be

reborrowed from time to time) and the flexibility to borrow funds on short notice. The Port has at times had CP Notes outstanding for years prior to long-term takeout.

CP Notes have no scheduled amortization and principal repayment of CP Notes is not included other than as noted in "Planned Debt below". The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to be 0.3% - 1.8% in FY 2012 through FY 2014.

The Port currently has two letter of credits (LOC) securing the CP Notes, \$50 million with JPMorgan Chase Bank and \$150 million with Wells Fargo Bank, allowing the Port to have outstanding up to \$200 million in CP Notes. The LOCs will expire on August 2, 2012 and 2013, respectively. The Port intends to extend or replace the JPMorgan Chase Bank LOC that will be expiring in 2012, but no assurances can be given at this time that the Port will be able to do so or that the terms or any replacement or extension will be similar to the existing LOC.

Pursuant to the provision of the ARRA, the Port in May 2009, refunded and converted its outstanding \$55.4 million AMT CP Notes issued in 2006 through 2008 to non-AMT CP Notes. The converted CP Notes will remain non-AMT CP Notes for as long as it remains outstanding. The ARRA law was not extended beyond December 31, 2010 and any new borrowings that are subject to AMT will be issued as AMT debt.

The priority of payment for the Port's debt is as follows:

1. Senior Lien Bonds
2. DBW Loan
3. Intermediate Lien Bonds
4. CP Notes

Planned Debt

Based on the 5-Year CNA, the Port anticipates issuing additional CP Notes and converting a portion of the outstanding CP Notes to new Intermediate Lien Bonds in FY 2013. See "Capital Budget and Capital Needs Assessment," Section E. The Port's Three-Year Debt Service Schedule identifies the scheduled and anticipated annual principal and interest payments for FY 2012 through FY 2014 (see page F-4).

The interest rate on the outstanding CP Notes is assumed to be 0.3% in FY 2012; 0.3%-1.3% in FY 2013 and 0.8%- 1.8% in FY 2014. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

The Port assumes that in FY 2013, approximately \$106 million of CP Notes will be converted to new Intermediate Lien Bonds (with a principal amount of \$117.5 million). It is anticipated that the new bonds will carry an interest rate of 6.25% for non-AMT debt and 6.75% for AMT debt.

In addition, the Port is considering refunding 2000 Series K Bonds or other bonds in FY 2012 if interest rates are favorable and the Port is able to achieve economic savings. No such refunding is assumed in the budget.

Debt Covenants

The Port has covenanted in the Bond Indentures and in the LOC Agreements to maintain Net Revenues (Pledged Revenue less Operation and Maintenance Expenses) at or above specified levels of the annual debt service paid by the Port each fiscal year. The minimum debt service coverage ratio (DSCR) for Senior Lien Bonds is 1.25 and the minimum DSCR for the Intermediate Lien Bonds is 1.10. Under the LOC Agreements, the Port has also agreed to

maintain a minimum Intermediate Lien DSCR of 1.10.

On May 1, 2009, the Port entered into a Second Supplemental Intermediate Lien Trust Indenture, which amended the Intermediate Lien Master Trust Indenture. Among other things, the amendment permitted the Port to include certain other funds in addition to Net Revenues for purposes of determining compliance with the rate covenant in the Intermediate Lien Indenture. Unless the insurer or reinsurer of the Intermediate Lien Bonds approves an extension of the terms of the Second Supplemental Intermediate Lien Trust Indenture, the amendment permitting the inclusion of such other funds shall only apply until June 30, 2012.

On July 1, 2010, the Port identified the other funds to be included in Net Revenues for FY 2011. The same identification is expected be done for the final time for FY 2012. The other funds include \$30 million of the Port's Bond Reserve Fund and \$15 million of the Capital Reserve Fund. This coverage test is identified in the table following as "Intermediate Lien with Rolling Coverage."

Debt Service Coverage Ratios

The budgeted Senior Lien, Intermediate Lien, Intermediate Lien with Rolling Coverage, and Combined DSCR are shown in the table following. The Intermediate Lien DSCR takes into account Senior Lien Bond, DBW Loan and Intermediate Lien Bond debt service. Intermediate Lien with Rolling Coverage DSCR includes other funds (\$30 million from the Port Bond Reserve Fund and \$15 million from the Capital Reserve Fund) in addition to Net Revenues. The Combined DSCR includes all debt service including interest on CP Notes.

DEBT SERVICE COVERAGE
FY 2009-10 TO FY 2013-14
(\$ THOUSANDS)

	<u>Actual</u> <u>2009-10</u>	<u>Budget</u> <u>2010-11</u>	<u>Budget</u> <u>2011-12</u>	<u>Projected</u> <u>2012-13</u>	<u>Projected</u> <u>2013-14</u>
Operating Revenue	\$285,225	\$281,902	\$296,570	\$314,273	\$321,202
Operating Expense before Depr & Amort & CFC/Grants ⁽¹⁾	(145,931)	(152,115)	(150,373)	(153,786)	(161,077)
Operating Income before Depreciation & Amortization	139,294	129,787	146,197	160,487	160,125
Interest Earned ⁽²⁾	8,566	5,428	2,387	3,509	4,661
Net Revenue	147,860	135,215	148,583	163,996	164,785

Debt Service:

Debt Service – Senior Lien Bonds	84,218	66,641	74,507	75,459	64,343
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan ⁽³⁾	113,303	105,646	113,509	117,247	122,112
Debt Service – Combined ⁽⁴⁾	113,611	106,513	113,842	118,176	123,736

Debt Service Coverage Ratio:

Senior Lien ⁽⁵⁾	1.76	2.03	1.99	2.10	2.29
Intermediate Lien ^{(6) (9)}	1.42	1.28	1.32	1.40	1.35
Intermediate Lien with Rolling Coverage ^{(7) (9)}	1.86	1.71	1.71	n/a	n/a
Combined ^{(8) (9)}	1.42	1.27	1.31	1.39	1.33

⁽¹⁾ Does not include operating expenses paid with CFCs or certain Maritime grants.

⁽²⁾ Interest Earned is Interest Income in accordance with generally accepted accounting principles and does not include the interest earned on PFC and CFC funds.

⁽³⁾ Based on the 5-Year CNA, it is assumed that \$106 million of CP Notes is taken out with Intermediate Lien Bonds in FY 2013. The principal amount is assumed to be \$117.5 million and the interest rate is assumed to be 6.25% for non-AMT bonds and 6.75% for AMT bonds.

⁽⁴⁾ Includes debt service on Senior and Intermediate Lien Bonds, DBW Loan and interest due on CP Notes, but not principal on CP Notes. Based on the 5-Year CNA, CP Notes balance is assumed to be \$132.0 million, \$96.7 million and \$127.3 million with interest rates of 0.3%, 0.3%-1.3%, and 0.8%-1.8% for FYs ending 2012, 2013 and 2014, respectively. However, as described in Section E "Capital Budget and Capital Needs Assessment," the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

⁽⁵⁾ Senior Lien DSCR equals Net Revenues divided by Senior Lien Bond debt service.

⁽⁶⁾ Intermediate Lien DSCR equals Net Revenues divided by Senior and Intermediate Lien Bond debt service and DBW Loan debt service.

⁽⁷⁾ Net Revenue includes other funds, \$30 million of the Port Bond Reserve Fund and \$15 million of the Capital Reserve Fund, for purposes of calculating Intermediate Lien with Rolling Coverage.

⁽⁸⁾ Combined DSCR equals Net Revenues divided by Debt Service - Combined.

⁽⁹⁾ Intermediate, Intermediate with Rolling Coverage and Combined Debt Service Coverage Ratios reflect the reduction in debt service of \$9.8 million due to the release of funds from the Series F, Series K, Series L and Series N bond reserve funds and release of \$0.6 million of Series M unspent bond proceeds, in FY 2010 and FY 2012, respectively.

DEBT SERVICE SCHEDULE
FY 2011-12 TO FY 2013-14
(\$ THOUSANDS)

Description	FY 2011-12			FY 2012-13			FY 2013-14		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<u>Senior Lien Revenue Bonds</u>									
2000 Revenue Bonds Series K	\$ 8,660	\$19,795	\$28,455	\$10,145	\$19,261	\$29,406	\$10,750	\$18,661	\$29,411
2002 Revenue Bonds Series L	0	18,300	18,300	0	18,300	18,300	0	18,300	18,300
2002 Revenue Bonds Series M	14,560	1,545	16,105	15,245	860	16,105	4,565	422	4,987
2002 Refunding Bonds Series N	7,570	4,077	11,647	7,940	3,708	11,648	8,335	3,310	11,645
Subtotal Sr. Lien Rev. Bonds	30,790	43,717	74,507	33,330	42,129	75,459	23,650	40,693	64,343
<u>Loans</u>									
Dept. of Boating & Waterways Loan	198	259	457	207	250	457	216	241	457
<u>Intermediate Lien Revenue Bonds</u>									
2007 Refunding Bonds Series A	14,670	10,628	25,298	15,420	9,880	25,300	16,210	9,090	25,300
2007 Refunding Bonds Series B	585	8,734	9,319	610	8,710	9,320	12,040	8,396	20,436
2007 Refunding Bonds Series C	0	3,928	3,928	0	3,928	3,928	0	3,928	3,928
New Proposed Debt ⁽¹⁾	0	0	0	0	2,783	2,783	0	7,648	7,648
Subtotal Int. Lien Rev. Bonds	15,255	23,290	38,545	16,030	25,301	41,331	28,250	29,062	57,312
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	46,243	67,266	113,509	49,567	67,680	117,247	52,116	69,996	122,112
Commercial Paper ⁽²⁾	0	333	333	0	929	929	0	1,624	1,624
Total Debt Service	\$46,243	\$67,599	\$113,842	\$49,567	\$68,609	\$118,176	\$52,116	\$71,620	\$123,736

Note: The "Interest" on this table is on a cash basis but on the Income Statement Interest expense is on an accrual basis.

⁽¹⁾ Based on the 5-Year CNA, it is assumed that \$106 million of CP Notes is taken out with Intermediate Lien Bonds in FY 2013. The principal amount is assumed to be \$117.5 million and the interest rate is assumed to be 6.25% for non-AMT bonds and 6.75% for AMT bonds.

⁽²⁾ Based on the 5-Year CNA, CP Notes balance is assumed to be \$132.0 million, \$96.7 million and \$127.3 million with interest rates of 0.3%, 0.3%-1.3%, and 0.8%-1.8% for FYs ending 2012, 2013 and 2014, respectively,

CASH FLOW

Flow of Funds

The application of the Port's revenues is governed by certain provisions of the City's Charter. All income and revenue from the operations of the Port or from Port facilities is to be deposited in a special fund in the City Treasury and to be designated as the "Port Revenue Fund" (also known as "General Fund") and to be applied as follows:

1. To pay principal and interest on any or all general obligation bonds of the City issued for Port purposes ⁽¹⁾.
2. To pay the principal and interest on revenue bonds.
3. To pay all costs of maintenance and operation of the facilities together with general costs of administration and overhead allocable to such facilities.
4. To defray the expenses of any pension or retirement system applicable to the employees.
5. For necessary additions, betterments, improvements, repairs or replacements of any facilities.
6. To establish and maintain reserve or other funds to insure the payment on or before maturing of any or all general obligation bonds of the City issued for any facility under the control of the Board.
7. To establish and maintain reserve or other funds to insure the payment on or before maturity of any or all revenue bonds.
8. To establish and maintain such other reserve funds pertaining to the facilities of the Board as determined by a resolution(s) of the Board, and
9. For transfer to the General Fund to the City, to the extent that the Board determines that surplus moneys exist in such fund which is not then needed for any of the above purposes.

Board Established Cash Reserves

The Board has established the following reserves with balances as of July 1, 2011 shown below:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	19,336,000
Capital Reserve	15,000,000
Total	\$64,336,000

⁽¹⁾ There are currently no outstanding general obligation bonds of the City issued for Port purposes. The Board has covenanted in the Senior Lien and Intermediate Lien Bond Indentures that it will not adopt a resolution permitting the use of Pledged Revenues to pay debt service on the City's general obligation bonds.

The Board established Reserve Funds are to be used as follows:

1. Bond Reserve Fund – Fixed at \$30 million. Amounts may be withdrawn from the reserve fund for the following purposes:
 - a. to pay principal of and interest on indebtedness of the Port in the event that reserve funds established under the various resolutions of issue and indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port, or
 - b. to pay for emergency capital expenditures or extraordinary operating and maintenance expenditures of the Port.
2. Operating Reserve Fund – Equal to 12.5% of the Port's approved annual operating expense budget and is adjusted each July 1 for the fiscal year. The Port may withdraw funds for unanticipated working capital requirements.
3. Capital Reserve Fund – Fixed at \$15 million. The reserve may be used for the following purposes:
 - a. to pay principal of and interest on indebtedness of the Port in the event that reserve funds established under the various resolutions of issue and indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port, or
 - b. for extraordinary capital improvements, or
 - c. for extraordinary operating and/or maintenance expenditures.

Restricted Cash

Restricted cash are sources that have a designated purpose and cannot be used for any other reasons. The Port's restricted cash includes the following:

1. Series-specific Bond Reserve/Rebate Funds – As stated in the indentures, series-specific bond reserve funds are to be used to pay debt service if the Port has insufficient funds to pay the scheduled debt service for the applicable series. Rebate funds are held under the Indenture to hold rebate payments to be made to the United States Government.
2. Bond Construction Fund – Funds received from Bond proceeds to pay for qualifying capital improvement projects while under construction.
3. Passenger Facility Charge – A user fee charged by OAK and collected by the airlines for revenue passengers enplaning air carrier flights. The Federal Aviation Administration approves the PFCs that are used to fund eligible capital improvements for specific projects at the airport.
4. Customer Facility Charge – A per-contract fee charged by rental car companies on behalf of OAK. CFCs are used to fund ground transportation (including buses and shuttle services) and construction related to rental car facilities.
5. Construction Escrow – Portion of the amount due to a contractor is set aside until the project has been signed off and placed into service.

STATEMENT OF CASH FLOW – UNRESTRICTED
FY 2011-12 TO FY 2013-14
(\$ THOUSANDS)

	Projected 2011-12	Projected 2012-13	Projected 2013-14
<u>Unrestricted Cash</u>			
General Fund ⁽¹⁾	\$100,000	\$85,109	\$85,912
Port Bond Reserve Fund	30,000	30,000	30,000
Operating Reserve Fund	19,336	19,882	20,748
Capital Reserve Fund	15,000	15,000	15,000
JULY 1 BALANCE	164,336	149,931	151,660
 Sources			
Operating Revenue	296,570	314,273	321,202
Less: Non-Cash Revenue Accruals	(3,778)	(3,778)	(3,778)
Grants & CFCs for Operating Expense	4,318	4,787	4,910
PFCs for Debt Service ⁽²⁾	238	1,269	2,569
Interest/Other Income ⁽³⁾	6,384	3,006	4,158
Total Receipts	303,732	319,557	329,061
 AIP, PFC, Other Grants	53,019	42,213	60,057
Commercial Paper ⁽⁴⁾	32,000	24,000	0
Commercial Paper (PFC) ⁽⁴⁾	12,710	46,543	30,554
Total Capital and Financing Proceeds	97,729	112,756	90,611
 TOTAL SOURCES	401,461	432,312	419,672
 Uses			
Non-Personnel Expenses	(70,119)	(73,131)	(76,472)
Personnel Expenses	(84,572)	(85,442)	(89,515)
Total Operating Expenses	(154,691)	(158,573)	(165,987)
 <u>Debt Service</u>			
Principal	(45,622)	(49,567)	(52,116)
Interest ⁽⁴⁾	(67,599)	(68,610)	(71,620)
Total Debt Service Payments	(113,221)	(118,177)	(123,736)
 Capital Projects ⁽⁵⁾	(125,835)	(147,540)	(116,558)
Other Payment ⁽⁶⁾	(22,119)	(6,293)	(6,449)
 TOTAL USES	(415,866)	(430,583)	(412,730)
 Net Cash Flow (Sources less Uses)	(14,405)	1,729	6,942
 TOTAL UNRESTRICTED AT JULY 1	\$149,931	\$151,660	\$158,602

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- (1) General Fund balance on July 1, 2011 is an estimate. General Fund balances in subsequent years are projected.
 - (2) PFCs used to reimburse portion of eligible CP Notes interest payment and associated costs such as LOC fees.
 - (3) Excludes non-cash interest accrual. In FY 2011-2012, assumes receipt of \$4.5 million for Oak-to-Ninth sale.
 - (4) Assumes that the Port's 5-Year CNA is fully implemented and that CP Notes/debt will be used to fund the "To Be Determined"/"Timing Shortfall" portion. However, the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port. See Section E "Capital Budget and Capital Needs Assessment".
 - (5) Assumes the Port's 5-Year CNA is fully implemented. See Section "E" Capital Budget and Capital Needs Assessment".
 - (6) Includes, but not limited to LOC fees on \$200 million letter of credit supporting Port's CP program, payments to the City, retroactive pension contributions for certain aircraft rescue fire fighters personnel, demolition costs of Building L-142, and endowment for Damon Slough transfer.

STATEMENT OF CASH FLOW - RESTRICTED
FY 2011-12 TO FY 2013-14
(\$ THOUSANDS)

	Projected 2011-12	Projected 2012-13	Projected 2013-14
Restricted Cash			
Bond Reserve/Rebate Funds	\$71,512	\$71,927	\$83,034
Bond Construction Funds	621	0	0
Passenger Facility Charge	9,500	2,149	3,783
Customer Facility Charge	2,771	3,587	4,401
Construction Escrows	2,876	3,076	3,376
JULY 1 BALANCE	87,280	80,739	94,594
Sources			
Interest Income	516	964	1,440
Restricted Revenue (PFC)	19,934	20,382	20,841
Restricted Revenue (CFC)	4,764	4,871	4,981
Commercial Paper (PFC) ⁽¹⁾	12,710	46,543	30,554
New Debt Reserve Fund ⁽²⁾	0	10,294	0
TOTAL SOURCES	37,924	83,054	57,816
Uses			
Construction Escrow	200	300	(300)
Debt Service Payment	(621)	0	0
PFC Projects & Financing Costs	(40,076)	(65,412)	(53,083)
CFC Operating Expenses	(3,968)	(4,087)	(4,210)
TOTAL USES	(44,465)	(69,199)	(57,593)
Net Cash Flow (Sources less Uses)	(6,541)	13,855	223
TOTAL RESTRICTED AT JULY 1	\$80,739	\$94,594	\$94,817

⁽¹⁾ Assumes the Port's 5-Year CNA is fully implemented. See Section E "Capital Budget."

⁽²⁾ Assumes \$106 million of CP Notes is taken out with Intermediate Lien Bonds in FY 2013 and that a Debt Reserve Fund is established in conjunction with the bonds.

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ACRONYMS

ACDBE	Airport Concession Disadvantaged Business Enterprise
ACS	U.S. Census Bureau American Community Survey
ADA	Americans with Disabilities Act
ADP	Airport Development Program
AIP	Airport Improvement Program
AMT	Alternative Minimum Tax
AP	Administrative Policy
APDA	Alternative Project Delivery Approach
APDD	Aviation Project Design & Delivery
APL	American President Lines
ARFF	Aircraft Rescue and Firefighting
ARMOA	Amended and Restated Memorandum of Agreement
ARRA	American Recovery and Reinvestment Act of 2009
ATCT	Air Traffic Control Tower
BAAQMD	Bay Area Air Quality Management District
BART	Bay Area Rapid Transit
BCDC	Bay Conservation and Development Commission
BNSF	Burlington Northern-Santa Fe
CalPERS	California Public Employees Retirement
CARB	California Air Resources Board
CAS	Corporate Administrative Services
CEQA	California Environmental Quality Act
CFC	Customer Facility Charge
CNA	Capital Needs Assessment
CP	Commercial Paper
CRE	Commercial Real Estate
CTMP	Comprehensive Truck Management Program
CUP	Central Utility Plant
CY	Calendar Year
DBE	Disadvantaged Business Enterprise
DBW	Department of Boating and Waterways
DHS	Department of Homeland Security
DOE	Department of Energy
DPM	Diesel Particulate Matter
DSCR	Debt Service Coverage Ratio

DTSC	Department of Toxic Substances Control
EA	Environmental Assessment
EAP3	East Apron Phase 3
EPA	Environmental Protection Agency
EP&P	Environmental Programs and Planning Division
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FTE	Full-Time Equivalent
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
HVAC	Heating, Ventilation and Air Conditioning
IBEW	International Brotherhood of Electrical Workers
IFPTE	International Federation of Professional and Technical Engineers
IPI	Inland Point Intermodal
IT	Information Technology
JLS	Jack London Square
LBA	Local Business Area
LEED	Leadership in Energy and Environmental Design
LIA	Local Impact Area
LOC	Letter of Credit
MAG	Minimum Annual Guarantee
MAPLA	Maritime and Aviation Project Labor Agreement
MAQIP	Maritime Air Quality Improvement Plan
MHEA	Middle Harbor Enhancement Area
MLK	Martin Luther King Jr. Regional Shoreline
MMP	Materials Management Program
MOL	Mitsui OSK Lines
MOU	Memoranda of Understanding
MPDD	Maritime Project Design & Delivery
NDSLBP	Non-Discrimination and Small Local Business Utilization Policy
NEPA	National Environmental Policy Act
OAB	Oakland Army Base
OAC	Oakland Airport Connector
OAK	Oakland International Airport
OBRA	Oakland Army Base Reuse Authority
OCIP	Owner-Controlled Insurance Program

OHIT	Outer Harbor Intermodal Terminal
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OPEB	Other Post Employment Benefits
PAOH	Ports America Outer Harbor Terminal, LLC
PFC	Passenger Facility Charge
PFSO	Port Facilities Security Officer
RFID	Radio Frequency Identification
RFP	Request for Proposals
ROI	Return on Investments
RPS	Renewable Portfolio Standard
RSA	Runway Safety Area
RWQCB	Regional Water Quality Control Board
SBE	Small Business Enterprise
SEIU	Service Employees International Union
SFO	San Francisco International Airport
SRD	Social Responsibility Division
SWMP	Storm Water Management Plan
T1	Terminal 1
TEU	Twenty-Foot Equivalent Unit
TSA	Transportation Security Administration
TTI	Total Terminals International
TWIC	Transportation Worker Identification Credential
UP	Union Pacific
UPS	United Parcel Service, Inc.
V2K AQMP	Vision 2000 Air Quality Mitigation Program
VSBE	Very Small Business Enterprise
WAPA	Western Area Power Administration
WCE	Western Council of Engineers

DEFINITIONS

Aircraft operation – Refers to landing and subsequent takeoff (also known as a “turn”).

Aircraft Rescue and Firefighting (ARFF) – FAA-required specialized emergency response services for which OAK contracts with the Oakland Fire Department.

Airport Business Park – Business park near Oakland Airport and Oakland-Alameda County Coliseum Complex. The park consists of 340 acres, of which 280 acres are privately owned.

Airport Improvement Program (AIP) – Federal program that provides funding from the Airport and Airway Trust Fund for airport development, airport planning, noise compatibility planning, and to carry out noise compatibility programs.

Americans with Disabilities Act (ADA) – Federal legislation that prohibits discrimination against all individuals with mental or physical disabilities.

Amortization – See *Depreciation and Amortization*

Component Unit in the City of Oakland Basic Financial Statement – The account the City uses to record the financial activities of the Port due to the enterprise nature of the Port's operations. The Port is a department of the City.

Comprehensive Annual Financial Report of the City of Oakland (CAFR) – Document published annually by City of Oakland detailing financial, statistical, budgetary and demographic data to be distributed to the public. It includes the Port's financial information.

Comprehensive Truck Management Program (CTMP) – The CTMP is the Port's Comprehensive Truck Management Program, a plan to address air quality, safety and security, community impacts, and business operation issues related to trucks serving the Port's maritime facilities. The CTMP seeks to balance the needs of its customers with those of its neighboring community in an effort to improve commerce and quality of life for those living and working in and around the seaport.

Consumer Price Index (CPI) – An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

Contractual services – Professional and support personnel services used by the Port other than employees or temporary agencies.

Cranes, post-panamax – Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Post-panamax vessels*

Cranes, super post-panamax – Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Super post-panamax vessels*

Department – An organizational unit within the Port which is part of a division.

Departmental credits – The application of direct labor and overhead to capital projects or the transfer of expenses from one unit, department or division to another.

Depreciation and Amortization – The value of an asset is reduced through use, deterioration or obsolescence. Depreciation describes the decrease in the value of the asset over its estimated useful life. Tangible assets, such as buildings and equipment are depreciated. Amortization refers to intangible assets such as computer software and noise easements. Intangible assets are amortized over the estimated service capacity of the asset.

Division – A major administrative segment of the Port which indicates overall management responsibility for an operation or a group of related operations within a functional area.

Dockage – The charge levied against a vessel for berthing space.

Dredging – Removal of sediments on the bottom of a waterway for the safe passage of vessels.

Embarcadero Cove – Recreational marina area on the waterfront south of Lake Merritt Channel which includes marinas, a public fishing pier, shops, offices, hotels and restaurants.

Enterprise Fund – A fund established to account for government operations financed and operated in a manner similar to private business enterprises.

Federal Aviation Administration (FAA) – The federal agency responsible for regulating and funding U.S. airports.

Fiscal year (FY) – A twelve-month time period signifying the beginning and ending period for recording financial transactions. The Port has specified July 1 through June 30 as its fiscal year.

Fueling revenue – Port revenue for providing facilities for fuel storage (tank farm) and delivery (fuel hydrant system) for aircraft and ground vehicles. A fuel consortium of passenger and cargo airlines operating at OAK, under lease, reimburses the Port for all costs associated with its use of the fueling infrastructure. The consortium contracts with a third-party operator to provide fueling services.

Full-Time Equivalent (FTE) – A measure of employment used when the work force includes both full- and part-time employees.

General aviation – Aviation activity not air carrier related, such as private aircraft, business aircraft, and corporate aviation activities. OAK's North Field is considered a general aviation airport, although some air carrier activity takes place there.

General Services – See *Payments to the City, General Services*

Generally Accepted Accounting Principles (GAAP) – A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

Governmental Accounting Standards Board (GASB) – The independent private-sector organization, formed in 1984, that establishes and improves financial accounting and reporting standards for state and local governments.

Inland Point Intermodal (IPI) – Refers to inland points (non-ports) that can be served by carriers (shipping lines) on a through bill of lading.

Jack London Square (JLS) – A 25-acre mixed-use development area at the foot of Broadway.

Lake Merritt payments – See *Payments to the City, Lake Merritt*

Leadership in Energy and Environmental Design (LEED) – A nationally recognized green building rating system established by Building Council.

Loss on abandoned and demolished assets – Abandonment losses result on projects written off because it is not feasible to complete the project or the project does not result in an asset. Losses on demolished assets result when a depreciable asset is destroyed, usually to make way for another project.

Net assets – The amount by which the value of a company's assets exceeds its liabilities.

Non-operating items – Income or expenses that are not associated with operations. In the Port's financial reporting, these include interest income, interest expense, and other income and expenses that are either nonrecurring in nature or do not result from its ordinary operations.

Oakland International Gateway (OIG) – Facility that provides ocean carriers with a near-dock intermodal facility. OIG became operational in March 2002 and is operated by Burlington Northern-Santa Fe Railroad under a ten-year lease agreement. Union Pacific Railroad is allowed access and usage. Formerly known as the Joint Intermodal Terminal (JIT).

Owner-Controlled Insurance Program (OCIP) – Port-managed program for consolidated purchase of insurance to assist small and local businesses to participate in Port capital projects.

Panamax vessels – Those vessels that fit through the Panama Canal and are no more than 13 containers wide. See *Post-panamax and Super post-panamax vessels*

Passenger traffic – Enplanements, deplanements and connecting passenger activity. Enplanement is an originating passenger who boards a flight; deplanement is a passenger whose final destination is OAK; and connecting passenger is a passenger who uses OAK to connect between flights. Connecting passengers are considered enplanements for the purpose of collecting PFCs.

Payments to the City, General Services – General Services include police and fire services and payable upon the Port's declaration of surplus funds.

Payments to the City, Lake Merritt – Reimbursement to the City for expenditures of local funds for Lake Merritt tideland trust purposes and payable upon the Port's declaration of surplus funds.

Payments to the City, Special Services – Reimbursement to the City for services, such as City Clerk personnel, City Treasury, and special police services.

Personnel services – Expenditures related to employee compensation including wages and fringe benefits such as medical, dental and retirement.

Post-panamax vessels – Those vessels that are more than 13 containers but less than 18 containers wide. See *Panamax and Super post-panamax vessels*

Radio Frequency Identification (RFID) – Method used to track trucks, cargo, containers and goods.

Super post-panamax vessels – Vessels that are at least 18 containers wide. See *Panamax and Post-panamax vessels*

T-hangar – General aviation aircraft storage facilities at OAK's North Field. T-hangars are modular structures, differentiated from tie-downs. Port derives revenues from T-hangar monthly rental rates. Some T-hangars are Port-owned, some privately owned.

Twenty-foot equivalent unit (TEU) – A TEU or Twenty-foot Equivalent Unit is an international standard of measurement for the volume of business that moves through a container port. Containers vary in length, from 20 feet to 53 feet with the majority of the containers being 40 feet. One forty-foot container is equal to two TEUs.

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